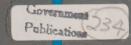


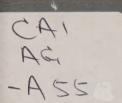
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Matters of Special Importance – 1997 Foreword and Main Points





Report of the Auditor General of Canada to the House of Commons

Matters of Special Importance – 1997 Foreword and Main Points

December 1997



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Report of the Auditor General of Canada to the House of Commons

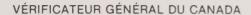
Matters of Special Importance – 1997 Foreword and Main Points

December 1997

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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AUDITOR GENERAL OF CANADA

To The Honourable the Speaker of the House of Commons:

I have the honour to transmit herewith my annual Report of 1997 to the House of Commons, to be laid before the House in accordance with the provisions of section 7(3) of the *Auditor General Act*.

L. Denis Desautels, FCA Auditor General of Canada

Foreword





Report of the Auditor General to the House of Commons for December 1997

Foreword

I am pleased to table the second volume of my 1997 Report. This Foreword is followed by "Matters of Special Importance – 1997" and the Main Points from all of this year's chapters. In addition, this volume contains 16 chapters, bound separately:

- Crown Corporations: Making Performance Measurement Work
- Systems under Development: Taking Charge
- Agriculture and Agri-Food Canada Prairie Farm Rehabilitation Administration
- Citizenship and Immigration Canada and Immigration and Refugee Board The Processing of Refugee Claims
- Canada Labour Relations Board
- Ozone Layer Protection: The Unfinished Journey
- Fisheries and Oceans Canada Pacific Salmon: Sustainability of the Resource Base
- Industry Canada Management of the Small Business Loans Program
- Office of the Superintendent of Financial Institutions Insurance and Pensions
- Revenue Canada The Financial Management Regime
- Revenue Canada and Department of Finance Understanding Changes in Tax Revenues: GST
- The Correctional Investigator Canada
- RCMP Public Complaints Commission
- Follow-up of Recommendations in Previous Reports
- Other Audit Observations
- Sustainable Development Strategy for the Office of the Auditor General

We also issued the first volume of our 1997 Report in October containing 21 chapters.

Foreword (cont'd)

In addition, this year our Office has provided:

- an opinion and observations on the Financial Statements of the Government of Canada
- an auditor's report and observations on the Debt Servicing and Reduction Account Statement of Transactions
- some 100 auditor's reports and observations on Crown corporations and other entities, territorial governments and organizations and international organizations.

Further, in 1997 our Office completed the special examination of Petro Canada Limited.

Under Section 11 of the Auditor General Act, I may undertake from time to time, assignments at the request of the Governor in Council.

Matters of Special Importance – 1997



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Matters of Special Importance – 1997

Main Points

In this chapter each year, I highlight significant issues arising from our work of the year, and issues from previous years that continue to be of special importance. This year, I present issues that I consider to be of particular importance to the new Parliament elected last June.

The new Parliament faces a number of challenges and opportunities that stem from the changes unfolding in government:

- Special attention is needed to maintain accountability in new service delivery structures. An unprecedented movement of important public services away from government departments is under way. These new, but often more complex, arrangements can bring significant benefits, as long as accountability is not eroded.
- The stresses facing the public service. The public service is a vital institution under considerable stress. Parliamentarians can play an important role in ensuring that the steps being taken to renew the public service are adequate.
- The continued need to carefully monitor the government's financial condition. Although the deficit has been falling, the debt remains high by historic and international standards, making good information on the government's financial condition as vital as ever.
- The importance of modernizing parliamentary scrutiny of the entire business of government. The annual supply process focusses on only a limited portion of government expenditures. While information is improving, Parliament's ability to scrutinize the entire business of government needs to be strengthened.
- The challenge of environmental and sustainable development issues. The creation of the Commissioner of the Environment and Sustainable Development within our Office and the requirement for departmental sustainable development strategies are important new tools for moving from words to action.

Parliamentarians have available a number of instruments they can use to make a difference in how government is managed. However, their efforts have been hampered to a degree by the lack of proper information on plans and results. I am encouraged, though, by recent government efforts to address this long-standing concern.

Other recent and ongoing issues are discussed in a supplement to the chapter:

• The Year 2000 information technology problem is urgent, putting government programs and services at risk.

Main Points (cont'd)

- Large information technology projects require that the Treasury Board Secretariat play a more active role.
- Moving government from a focus on inputs and process toward managing for results is possible, but it will take strong, persistent leadership.
- Government needs to improve its approach to privatization and commercialization initiatives by ensuring that fair market value is received for divestitures and that the results of each initiative are reported back to Parliament.
- It is time to make comptrollership a reality and improve the government's financial management capabilities.
- A number of opportunities for cost savings have been identified in our audits over the past year.
- Important progress has been made in protecting the tax base, but more remains to be done.
- There is a need to increase the momentum of efforts to maintain the sound ethical base in government.

Vision

We are committed to making a difference for the Canadian people by promoting, in all our work for Parliament, answerable, honest and productive government that reflects a commitment to sustainable development.

Mission

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations.

Elaboration of Mission

In achieving our mission, we want to make a difference by promoting:

- a fair and frank accounting of government's stewardship of financial and other resources
- efficiency and productivity in the public service
- ♦ cost effectiveness of government activities
- collection of revenues owed to the Crown.

Other effects we want to produce through our work are:

- objective assurance on matters found to be satisfactory and unsatisfactory
- compliance with authority
- ♦ deterrence of fraud and dishonesty.

Taking Government into the 21st Century: Matters of Special Importance for the New Parliament

he June election brought 90 new parliamentarians to Parliament Hill, and returned 211 with a new mandate. The members of this 36th Parliament will in all likelihood be those who lead government into the 21st century.

No doubt, parliamentarians are thinking a great deal about how to make a difference during this mandate. While much of their work rightly involves policy issues, much



also involves monitoring the increasingly complex activities of government and holding the government to account. That is where my role comes in.

Our Office Is Here to Help Parliament

Popular culture in this country misses a critical element: important as my role as "watchdog" may be, it is Parliament that has the ultimate role of keeping

Important as my role as "watchdog" may be, it is Parliament that has the ultimate role of keeping watch over government.

watch over government. As Auditor General, my job is to alert Parliament to issues of how government is being managed, through timely, relevant, audit-based information. I and my staff are driven by the conviction that Canadians deserve government that delivers good value for money and serves their interests. In this way, we help Parliament in its job of holding the government to account.

One of my priorities as Auditor General has been to find ways to serve Parliament better. In addition to maintaining our long-standing and productive relationship with the Public Accounts Committee, we have worked extensively to bring our audit findings to the attention of other parliamentary committees. During the 35th Parliament, we appeared before 21 committees of the House and Senate in addition to the Public Accounts Committee. As well, we now release reports more than once annually, allowing us to report issues on a more timely basis.

Issues Facing the New Parliament

When I started my term as Auditor General almost seven years ago, I could not have imagined the extent and pace of change we now see in government.

The scale of this unfolding change may well rival the fundamental restructuring of government during and after the Second World War, and the major expansion of government programs in the 1960s. As many have noted, the financial condition of governments, globalization, the information technology revolution and major demographic and societal shifts are among the factors behind the changes we are now experiencing.

The situation we face today is not unlike a business undergoing a major restructuring — expanding into new lines of business and abandoning old ones, as it reorganizes internally and enters into new joint ventures. For shareholders of a business, a major restructuring brings real challenges and risks. The old ways of keeping abreast of the company's fortunes often must change, and the issues on which shareholders must keep watch may become quite different.

Certainly, government is not a business and parliamentarians are not government's shareholders. All the same, I see similar challenges and opportunities for parliamentarians in the changes unfolding in government. Five issues are particularly important:

- the need to maintain accountability in new service delivery structures;
- the stresses facing the public service;
- the need to maintain careful monitoring of the government's financial condition;
- the importance of modernizing parliamentary scrutiny of the entire business of government; and
- the challenge of environmental and sustainable development issues.

Each of these issues has been, and will continue to be, given priority in our audits. Other recent and ongoing audit issues are presented in the supplement to this chapter.

Issue 1: Maintaining accountability as activities move outside traditional government structures

There is an unprecedented movement of activities — many of which are key public services — away from federal government departments. This is taking a variety of forms, under a variety of labels such as "devolution", "commercialization" and "alternative service delivery". For example, activities are being transferred to third parties, as in the case of the air navigation system, and to client groups, as in the case of Aboriginal

programs. As well, new partnering arrangements are being negotiated to share program responsibilities with provincial governments.

As part of these changes, new organizations are being established that are structured much differently from the traditional model of a government

Key Activities Being Transferred from Government Departments

NAV CANADA is a private, not-for-profit organization that assumed responsibility for the safe operation of Transport Canada's civil air navigation system in November 1996. Approximately 6,000 Transport Canada employees were transferred to the organization, which has announced revenues of \$776 million from its first 10 months of operation.

Canadian Food Inspection Agency is a separate agency reporting to the Minister of Agriculture and Agri-Food that consolidates the food inspection activities of Agriculture and Agri-Food Canada, Health Canada and Fisheries and Oceans. Over 4,500 full-time equivalents were transferred to the Agency, and it received annual parliamentary appropriations of \$271.8 million in 1997–98.

Canada Customs and Revenue Agency, as proposed, would replace Revenue Canada in administering Canada's revenue laws and those of participating provinces. The Agency would operate at greater distance from government and would involve the transfer of 40,000 employees and over \$2 billion in annual parliamentary appropriations.

department. This has the makings of a major change in the shape and nature of government. One notable impending change is the proposed Canada Customs and Revenue Agency. This would replace Revenue Canada, and alone would involve 40,000 employees — some 20 percent of the federal public service — and over \$2 billion in annual parliamentary appropriations.

Parliamentarians have an important oversight role to play in the establishment of these new organizations. Beyond the policy issue — namely, whether the proposed structure is indeed the best option — lies the issue of maintaining accountability. Many involve partnerships that demand more complex accountability arrangements between partners and back to their respective constituencies.

Proper accountability is critical for two reasons: the services being delivered frequently involve important matters of public interest, and in many cases the organizations will continue to require significant public funding.

Parliamentarians in the past have rightly asked how the fundamental principle of accountability to Parliament will be maintained in these new structures. Will parliamentarians continue to have a means by which to question ministers on these activities? How will Canadians and parliamentarians have assurance that the public interest is protected?

The new arrangements can bring important benefits, but proper attention must be paid to accountability. Proper attention is being paid in some cases to clearly delineating roles and responsibilities, establishing clear objectives, and requiring full and frank reporting of the results achieved — key elements of good accountability. However, as experience elsewhere with the creation of new structures indicates, maintaining accountability has been a persistent challenge.

Without question, the accountability landscape is becoming more varied and less dominated by government departments. This and future Parliaments will

need to develop effective mechanisms for holding to account a greater variety and number of organizations, involving more diverse relationships among Parliament, ministers and appointed officials.

For related audit work, see: 1997 Chapter 13 Health Canada – First Nations Health; 1997 Chapter 19 Transport Canada – Commercialization of the Air Navigation System; 1997 Chapter 20 Public Works and Government Services Canada – Privatization of the Canada Communication Group

Issue 2: The public service is an institution under stress

During the course of my career, I have come to believe that ultimately what makes an organization effective is not the quality of its administrative

Personnel Systems Are Getting in the Way

After years of on-again, off-again efforts to streamline government personnel systems, they still require:

- over 12,000 pages of rules and guidelines;
- 70,000 rules governing pay alone.

At the very time when we are facing significant challenges to keep, motivate, develop and attract good people, we have systems that are holding us back. Getting out from under these systems seems to be one reason behind the move to create new agencies.

policies and procedures or its management systems. Important as these are, what matters most is the people who work there. Government organizations that are truly innovative, serve the interests of Canadians and deliver good value for money are those that have inspired leadership, strong values, and skilled and motivated people. There is no question in my mind that a competent and professional public service is essential to the economic, social, environmental and political health of our nation.

Yet the results of our audit work suggest that the public service is an institution under considerable stress.

Particular areas that need attention include rejuvenating and renewing the public service work force, and resolving long-standing human resource management issues that require legislative and administrative changes. These are not new issues: I and others have raised them in the past but insufficient action has been taken to resolve them. One of the real challenges in addressing these issues has been that central responsibility for them is shared among a number of bodies, including the Public Service Commission, the Treasury Board Secretariat and the Privy Council Office.

Many government officials, including the Clerk of the Privy Council, have expressed similar concerns about the condition of the public service. The Clerk has argued, "To perform well, the public sector must constantly retain, motivate and attract a corps of talented and dedicated public servants. There are indications that this could be the most difficult challenge that the Public Service of Canada will face over the coming years." She has called this a "quiet crisis".

The Clerk has initiated an exercise called La Relève to address these issues. Parliamentarians can play an important role in ensuring that the steps being

taken will adequately address the many issues facing the public service. One means of doing this, as the House Standing Committee on Government Operations recommended in its Third Report tabled at the end of the last Parliament, is to regularly monitor the renewal process to ensure that progress is being made.

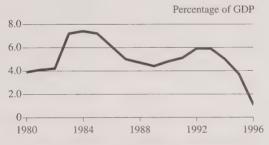
For related audit work, see: 1997 Chapter 1 Maintaining a Competent and Efficient Public Service; 1996 Chapter 5 The Reform of Classification and Job Evaluation in the Public Service

Issue 3: Monitoring the financial condition of government remains important

Amid a great deal of speculation about a coming "fiscal dividend", it is important to pay close attention to the federal government's financial condition. The numbers suggest that, while the battle over the deficit is close to being won, the debt remains a significant concern. The size of our debt in

The Government's Financial Condition Is Changing

"The deficit is falling..."



Federal Deficit to GDP (Public Accounts Basis)

"...but the debt remains high by historic and international standards..."

Percentage of GDP

60

Canada

40

20

Other G-7

1980 1984 1988 1992 1996

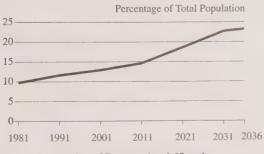
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estima

Source: Department of Finance, Statistics Canada and OECD

Net Debt to GDP (National Accounts Basis)

"...and the number of elderly will grow steadily."



Proportion of Persons Aged 65 and over in the Total Population

relation to the size of the economy remains high, both by historic standards and by comparison with other OECD countries. Progress on reducing the deficit has certainly been commendable, but it is no less important to focus on the government's "financial condition" in the fullest sense of the term.

One unmistakable long-term challenge to government's financial condition is the aging of the Canadian population. The ratio of elderly to working-age Canadians is likely to rise sharply in the next few decades. While not all the elderly will be dependent on publicly funded pensions and services, many of them will be, putting pressure on government spending in areas of social security and health care. Our debt level and existing level of taxation put additional strain on our capacity to meet the unfolding demographic challenges without disadvantaging the young.

Good information is critical to fostering healthy debate about the public policy choices that lie ahead. The Canadian Institute of Chartered Accountants (CICA) recently completed a study that urged governments to report their financial condition through a set of 10 indicators. The CICA indicators cover three important dimensions of financial condition: the sustainability of the debt burden; a government's flexibility to raise revenues through taxation or borrowing, should it need to; and its vulnerability to forces beyond its control. The study demonstrates that financial condition involves more than just the government's financial position at a given time — it requires taking the long view, which I recommended in this chapter in 1992.

By focussing attention on the sustainability, flexibility and vulnerability of the government's financial condition, I think the use of the CICA indicators can help us better understand the true state of the government's finances, and better debate the public policy choices we face as Canadians.

For related audit work, see: 1995 Chapter 9 Information for Parliament — Deficits and Debt: Understanding the Choices

Issue 4: Modernizing parliamentary scrutiny of the entire business of government

With the increasing complexity of the business of government in recent decades has come a greater variety of ways that money flows into and out of government. This brings the need to continue modernizing Parliament's ability to scrutinize and control the entire business of government.

The traditional foundation of Parliament's scrutiny of expenditures is the annual supply process. Yet annual appropriations have come to represent

only the proverbial "tip of the iceberg" of government expenditures. Statutory expenditures, where moneys were approved under previous legislative authority and hence are not voted in the annual supply process, account for 66 percent of federal spending (\$106 billion in 1996–97), leaving only 34 percent (\$55 billion in 1996–97) that is voted annually. Other important, but less obvious, flows of money include tax expenditures

The Growing Use of User Charges

To deal with fiscal restraint, government is bringing in a number of new user charges, revenues from which totalled \$3.8 billion in 1995–96.

Recent audits by our Office have highlighted weaknesses in the implementation of user charges. For example, we have found that government accounting systems are typically not designed to provide costing information needed to justify the levels of user fees charged.

The move toward greater cost recovery raises important questions for Parliament. Have departments minimized their costs before asking users to pay? Have the financial, competitive and socio-economic impacts of user charges, in both the short and long terms, been considered? Are there proper redress mechanisms for stakeholders?

And perhaps most important for parliamentarians: does Parliament have the information it needs to keep an eye on this issue?

(estimated to be in the tens of billions of dollars annually), vote-netted program funding and the government's growing reliance on user charges.

Concern about the challenge this poses to parliamentary control and scrutiny is hardly new: it has been noted on a number of occasions by our Office and others.

These issues are particularly timely given the release at the end of the last Parliament of the Sixty-Fourth Report of the Standing Committee on Procedure and House Affairs, entitled *The Business of Supply: Completing the Circle of Control.* As the Committee noted, some significant advances have been made in the tools and information available to help Parliament scrutinize these various revenues and expenditures— a topic that I discuss in more detail below.

The report makes a series of recommendations for further enhancing the information available to Parliament on expenditures outside annual appropriations, and for strengthening the ability of Parliament to scrutinize these regularly. Particularly noteworthy were the Committee's recommendations that statutory and tax expenditures be explicitly subject to cyclical parliamentary review. The Committee also called for strengthening the program evaluation of statutory expenditures, similar to recommendations I have made in the past. These suggestions deserve serious consideration by the new Parliament.

Bringing these various flows of money under formal, recurring parliamentary review would be a major step in strengthening the role Parliament plays in holding government to account.

For related audit work, see: 1997 Chapter 5 Reporting Performance in the Expenditure Management System; 1996 Chapter 3 Evaluation in the Federal Government; 1995 Chapter 24 Revolving Funds in the Parliamentary System: Financial Management, Accountability and Audit

Issue 5: Sustainable development — moving from words to action

Soon after becoming Auditor General in 1991, I identified the environment as one of the key issues on which I planned to focus. Environmental and sustainable development matters will shape not only our immediate future but also our legacy to future Canadians. Our challenge is to go beyond the

rhetoric of sustainable development, and to focus on its practical implementation.

The Atlantic Fisheries Crisis: Why Sustainable Development Matters

A simple truth lies at the heart of the concept of sustainable development: something imbalanced cannot continue indefinitely. The Atlantic fisheries crisis provides a compelling illustration of what happens when government programs are unable to achieve a result that is sustainable from an environmental, social and economic perspective.

Chapters 14 through 16 of the April/October Report detail how over \$3 billion, including \$1.9 billion under The Atlantic Groundfish Strategy, has been spent in the last seven years in an attempt to solve the problems of the Atlantic groundfish fisheries. Little progress has been made, however, toward reducing fishing overcapacity. As well, too many people remain dependent on the fisheries — if anything, The Atlantic Groundfish Strategy may well have had the reverse effect of encouraging people to remain attached to the fishery and dependent on federal government support. And, while improvements have been made to certain fishery management activities, more needs to be done to ensure conservation of the Atlantic groundfish stocks.

Billions of dollars later, the story remains one of too many boats, too many people dependent on the groundfish fishery, and far too few fish. It is a situation that clearly seems unsustainable.

In the years since, our capacity to deal with environmental and sustainable development issues has increased substantially. In 1995, the 35th Parliament amended the *Auditor General Act* to provide parliamentarians and the public with a new set of tools to assess the federal government's performance in managing environmental and sustainable development issues:

- "Environment" joins economy, efficiency and effectiveness as the fourth "E" that our Office considers in deciding what to report to the House of Commons.
- Twenty-four federal government departments and agencies are required to prepare sustainable development strategies and table them in the House of Commons by 15 December 1997.
- The position of Commissioner of the Environment and Sustainable Development was created within our Office with the mandate to review and report on departments' sustainable development strategies, and on other issues that should be brought to the attention of Parliament.

The Commissioner presented his first report to Parliament in March of this year. The report highlighted three key concerns about the federal government's environmental performance over the past decade: an implementation gap, where the federal government's performance has tended to fall short of its stated objectives; a lack of co-ordination and integration among government departments and between jurisdictions; and inadequate performance review and related information to Parliament.

How we together make use of the new tools for assessing government's performance will send a powerful signal to departments and to the public of

the importance attached to this policy area, and of our capacity to turn good intentions into effective action.

For related information, see: 1997 Report of the Commissioner of the Environment and Sustainable Development; 1997 Chapter 4 Control of the Transboundary Movement of Hazardous Waste; 1997 Chapter 10 Natural Resources Canada — Energy Efficiency; 1997 Chapter 14 Fisheries and Oceans Canada — Sustainable Fisheries Framework: Atlantic Groundfish; 1997 Chapter 15 Fisheries and Oceans Canada — Rationalization and Renewal: Atlantic Groundfish; 1997 Chapter 16 Human Resources Development Canada — The Atlantic Groundfish Strategy; 1997 Chapter 24 Agriculture and Agri-Food Canada — Prairie Farm Rehabilitation Administration; 1997 Chapter 27 Ozone Layer Protection: The Unfinished Journey; 1997 Chapter 28 Fisheries and Oceans — Pacific Salmon Management: The Sustainability of the Resource Base; Chapter 37 Office of the Auditor General Sustainable Development Strategy

Instruments for Making a Difference

The Atlantic Fisheries Crisis: Why Performance Reporting Matters

The limited success of programs to deal with the problems of the Atlantic groundfish fisheries serves to illustrate a broader question: how are parliamentarians to know whether government programs are indeed working?

All too often, Parliament's only sources of information have been media reports, think tank studies, contacts with interest groups and constituents, internal government studies released under Access to Information requests, or our audit reports.

Valuable as these are, they are no substitute for the information that government is obliged to provide to Parliament for accountability purposes. Taking The Atlantic Groundfish Strategy as an example, it seems entirely reasonable to expect that \$1.9 billion would not be spent without accounting to Parliament for what was achieved and what lessons can be drawn for future programs. In fact, little information on the results of the strategy has been provided.

Program evaluations, good reporting on performance, and the like will not themselves solve complex problems, such as those facing the Atlantic fisheries. But they are essential tools in a first step toward finding solutions — understanding the true nature and extent of the problem and whether existing approaches are working.

Parliamentarians have a variety of means available to make their mark on the management of government. The legislative process is one such opportunity: when a new program is introduced, parliamentarians can pursue the issue of whether the government organizations involved have the capability and resources to implement the proposed legislation. Another opportunity lies in the ability of committees to launch hearings on any aspect of government management in their subject matter area.

Potentially one of the best opportunities for committees to scrutinize government management is one of the oldest — parliamentary review of the government's annual Estimates. For a number of reasons, it also has been a much underused opportunity. As the Sixty-Fourth Report of the Standing Committee on Procedure and House Affairs concluded earlier this year, "The inadequacy of committee study of the Estimates has become depressingly obvious." The report provided a number of thoughtful suggestions on ways by which Parliament could make more effective use of the Estimates process.

I have long argued that one thing hampering parliamentarians from making better use of the Estimates process has been that government has not provided them with appropriate information. Given the many competing demands on their time and considering the size and complexity of government, parliamentarians need

information, tailored to their needs, that clearly and concisely explains what departments plan to do, what it will cost, what results they hope to achieve, and what results they actually have achieved. The lack of information on results has been a chronic problem, one that I have highlighted repeatedly.

As part of efforts to revise its Expenditure Management System, the government has been actively experimenting with ways to improve the information reported to parliamentarians. I have been supportive of these changes and was pleased to see the Improved Reporting to Parliament Project, after a successful pilot phase, extended to all departments this fall.

But better information is only one element in making the Estimates process more useful to parliamentarians. As the Procedure and House Affairs Committee report suggested, a more vexing issue has been how, in our system of strong Cabinet government, parliamentarians can see an opportunity in the Estimates process to influence government decisions. The reforms of the Expenditure Management System have tackled this by requiring departmental performance reports to be tabled in the fall, in time for committees to influence the direction of the following spring's Budget decisions and supply requests, and departmental plans to be tabled in the spring, in time for committees to influence Cabinet's summer deliberations on priorities.

It is now up to parliamentarians to signal whether the information being provided meets their needs. If they press for information on the results of government activities and visibly use the information in their work, they will give departments a powerful incentive to collect and report the information.

It might be appropriate to make these requirements a permanent feature in the supply process. This could take a variety of forms, including that of accountability legislation requiring departments to report on their performance, as other jurisdictions such as the United States, New Zealand, Western Australia and Alberta have enacted.

As parliamentarians make greater use of performance information, they may find it useful to have our Office provide some form of assurance on the fairness and reliability of the information reported by departments. I will be providing such an assessment annually on the performance reports of the new Canadian Food Inspection Agency.

For related information, see: 1997 Chapter 5 Reporting Performance in the Expenditure Management System; 1997 Chapter 11 Moving toward Managing for Results; 1997 Chapter 14 Fisheries and Oceans Canada — Sustainable Fisheries Framework: Atlantic Groundfish; 1997 Chapter 15 Fisheries and Oceans Canada —

Rationalization and Renewal: Atlantic Groundfish; 1997 Chapter 16 Human Resources Development Canada — The Atlantic Groundfish Strategy

Conclusion

Parliamentarians have a number of important roles to play in overseeing the changes under way in government — as advocates for better government

My Priorities are:

- 1. To help improve the government's financial condition, by:
 - supplying useful information and encouraging government to follow suit;
 - fostering improvements in the effectiveness of revenue programs; and
 - finding savings in government operations.
- 2. To stimulate real advances in accountability concepts and improve accountability practices in government.
- 3. To influence the quality of financial management in government.
- To contribute to necessary changes in the public service.
- 5. To implement fully the role of the Commissioner of the Environment and Sustainable Development.

programs and better quality of service, as protectors of accountability to Parliament and the Canadian public, and as guardians of the public interest and the public purse.

The members of the 36th Parliament are probably the last with whom I will deal as Auditor General. Indeed, with my 10-year term ending in 2001, our mandates will likely end at about the same time. I have set five priorities where I want to see this Office make a difference between now and 2001. As I pursue these and other issues, I hope to have solid working relations with parliamentarians and standing committees.

These are challenging times for all of us. Indeed, I can think of few other times when there has been as much opportunity to make a difference in public administration

or when it has been more important to maintain the strength of our national institutions.

It is up to each of us to seize the opportunity before us and leave a lasting mark. We need to be mindful of the impact of our actions now and in the years to come. By our decisions, we will take Canada into the 21st century.



Chapter Supplement: Other Recent and Ongoing Audit Issues

The Year 2000 Problem Looms Large

I have become increasingly concerned about the threat that the "Year 2000" problem poses to the government computer systems on which we rely so heavily. Because of a two-digit coding practice that was prevalent in the past, systems that are not changed in time may malfunction or fail as they approach the year 2000.

Chapter 12 of the April/October 1997 Report examines risks and exposures that the government faces as a result of the Year 2000 threat. We concluded that, at the time of the audit, the rate of progress had been generally slow, which means that many important systems may not be fixed in time. I am very concerned that government programs and services are at risk.

The year 2000 is approaching fast. We must assign top priority to Year 2000 projects and step up the pace. The work is laborious and other priorities may have to give way. Success lies in securing and sustaining senior management commitment and support. Ministers and members of Parliament can help by serving as champions for Year 2000 efforts in government and by lending support to senior management in resolving roadblocks as they arise.

For related audit work, see 1997 Chapter 12 Information Technology: Preparedness for Year 2000

Information Technology Needs an Active Treasury Board Secretariat

For a number of years, we have expressed concern that significant risks are not being managed properly in large information technology projects. We estimate that projects planned or under way may well cost more than \$5 billion. All but a few of the projects we have audited lacked sound project management and effective risk management, resulting in instances of large budget overruns, significant delays, unacceptable results and the occasional project failure.

As a general rule, I think that government departments, many of which are among the largest organizations in this country, should be capable of managing their own affairs. In some areas, such as human resource management, they are unnecessarily hampered by restrictive central government controls.

Still, large information technology projects are an exception: not all departments can be expected to have the specialized skills needed to manage these complex, high-risk projects. I think the Treasury Board Secretariat needs to play a more active role in these projects after funding approval, by monitoring their status more closely and advising ministers of the Treasury Board when project risks are unacceptable.

There is a need to clarify and review the role of the Secretariat in information technology and in other areas where it has responsibilities. Indeed, the Secretariat itself has been reassessing its overall role and approach. Parliamentarians and other stakeholders should be involved in these deliberations because of the significant effect these could have on government administration and accountability.

For related audit work, see: 1997 Chapter 23 Systems under Development: Taking Charge; 1996 Chapter 16 Treasury Board Secretariat — Renewing Government Services Using Information Technology; 1996 Chapter 24 Systems under Development — Getting Results

Moving the Focus from Inputs and Process toward Results

The new Expenditure Management System — as well as other recent federal government management initiatives — is built on the idea that departments should set clear program performance goals, measure and report performance, and then use that information to make programs work better. In short, it means putting more emphasis on results. It is hardly a new idea, but only in recent years has it received a great deal of attention in government, here and in other countries.

These government initiatives will succeed only if results become the focal point of what departments do, from the level of day-to-day operations on up. Results cannot be the concern of only the planners and program evaluators. This is one of the key lessons we found this year when we examined federal government organizations that have successfully adopted a focus on results.

In these organizations, one major hurdle turned out to be the significant cultural change needed, not technical issues of measuring program outcomes. Over the years, managers have been held accountable mainly for inputs and process. Changing age-old practices and incentives takes time and strong, persistent leadership.

I am encouraged when I hear deputy ministers talking more and more about moving their organizations toward a focus on results. Federal government organizations have a long way to go, but experience here and elsewhere shows that it can be done and that it works.

For related audit work, see: 1997 Chapter 5 Reporting Performance in the Expenditure Management System; 1997 Chapter 11 Moving toward Managing for Results

Reducing the Risks in Privatization and Commercialization

There is a worldwide trend among governments to transfer more and more activities to the private sector. In the Canadian context, the recent sale of the Canada Communication Group (CCG) and the commercialization of the air navigation system are important examples we audited this year. These two initiatives, along with experiences in other countries, offer critical lessons for future privatization and commercialization efforts.

Perhaps one of the most valuable lessons is the need to set up a rigorous and systematic method by which to ensure that appropriate market value is received for the entity transferred. From my private sector experience, I believe the best way to do this is by requiring formal valuations by independent financial advisors and ensuring that the transactions are well documented. Such a process in the public sector would, I think, better protect the interests of the taxpayer and the government itself.

International experience shows, and the CCG initiative illustrates, that the inherent risks in divestitures are lessened when the process is done in two phases. In a two-phase approach, the operation to be transferred is first carved out of government operations and set up as a government-owned entity.

The initiatives offer one further important lesson — the need for transparency in the transactions and for accountability to Parliament. Currently, the government is not required to report back to Parliament on the results of each divestiture, including a complete picture of the costs and proceeds of the transaction. Our audits of these initiatives demonstrate that this is clearly needed.

For related audit work, see: 1997 Chapter 19 Transport Canada – The Commercialization of the Air Navigation System; 1997 Chapter 20 Public Works and Government Services Canada – Privatization of the Canada Communication Group

An Opportunity to Make Comptrollership a Reality

Financial management plays a critical role in contributing to the government's goals of reducing costs and improving its financial position. Despite numerous initiatives that have tried to improve financial management capabilities in the last 25 years, progress remains slow. For example, government officials readily acknowledge that existing financial systems are deficient in many respects. And, as a number of this year's audits note, decision makers are often unable to assess the financial consequences of their decisions.

More than ever, comptrollership needs to be a significant part of the job of every manager. Comptrollership involves more than bookkeeping, or even financial management. In particular, it requires the ability to link costs incurred to results achieved, which is a fundamental part of business planning and performance reporting in the revised Expenditure Management System.

In October of this year, the report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada was released. We agree with the Panel on the need to strengthen comptrollership, and believe the report gives the government a good opportunity to address this long-standing concern. To do this, ongoing support from the top — at both the political and bureaucratic levels — is needed. Without it, only marginal technical improvement in financial management and comptrollership can be achieved. Ultimately, stronger capabilities will never be put in place if ministers and deputy heads do not demand them.

For related audit work, see: 1997 Chapter 2
Financial Management: Developing a Capability
Model; 1997 Chapter 3 Management of the
Government's Accounting Function: A Central
Agency Perspective; 1997 Chapter 9 Foreign Affairs
and International Trade Canada – Financial
Management and Control; 1997 Chapter 31 Revenue
Canada – The Financial Management Regime

Opportunities for Cost Savings

This year, as in past years, we have reported on several areas where departments could achieve cost savings. This year we noted several examples:

- The Report on the Federal Court of Canada and the Tax Court of Canada in April identified a series of needed improvements that could yield savings of 15 to 25 percent out of about \$53 million spent annually to support the judicial function of the courts.
- In Chapter 21 Household Goods Removal Services of the Federal Government, we identified the potential to save \$1.5 million out of the \$5 million spent annually in the government's administration of household goods removal.
- In Chapter 31 Revenue Canada The Financial Management Regime, we identified opportunities to generate several millions in potential interest revenue for the government each year by depositing taxpayer receipts more promptly.

As well, a number of our audits identify opportunities to reduce expenditures or use existing resources more effectively that cannot easily be quantified. For example, in Chapter 6 Contracting Performance, we concluded that there is much room to improve government contracting to get better value from government contract expenditures, which totalled over \$14 billion in 1995–96.

In Chapter 12 Information Technology: Preparedness for Year 2000, we noted that if the Year 2000 problems are not addressed on an urgent basis, the government faces the risk of significant cost escalation as well as systems errors or failures.

Our audits of information technology systems under development continue to identify potentially significant cost savings by improving management practices. This year, in Chapter 23 Systems under Development: Taking Charge, we found that practices for in-house projects need to be improved to reduce the risk of project delays and cost overruns.

Protecting the Tax Base

We cannot overestimate the importance of protecting the tax base, which provides the revenues needed to pay for government services. Parliamentarians in the past have encouraged us to maintain taxation audit work as one of our priorities.

This year we followed up on past observations and found the results to be very encouraging. We believe that the many changes to systems, procedures and practices we observed have strengthened tax administration. Some examples:

- Income tax advance rulings and GST rulings and interpretations are more widely available.
- Collection of unpaid income tax, GST, excise tax and customs duty is better integrated, more proactive and based increasingly on an assessment of the risk of loss.
- More and better data are available to help find those who have failed to file income tax returns or to register for the GST.
- Some significant technical deficiencies in the *Income Tax Act* have been corrected.

Together, these and other improvements strengthen the tax base and enhance the fairness of the tax system. Even so, challenges remain:

- Improving the ability to monitor and evaluate the performance of the processing system for individual income tax returns.
- Improving the verification of RRSP contributions.
- Improving certain bookkeeping procedures.

We feel strongly that these matters should be dealt with, and we are confident about the ability of Revenue Canada to address them.

For related audit work, see 1997 Chapter 18 Revenue Canada and Department of Finance — Fostering Improvements in Tax and Trade Administration: Follow-up of Previous Audits

Ethics in Government

One fundamental value that underpins democracy is honesty in government. Our Office has had a special role in upholding this value since the early days of Confederation. While I believe that Canadian governments compare favourably with most other countries in their integrity, this does not mean we can relax. Probity in government requires effective financial and management controls, but it ultimately rests on the ethics of individuals and a management infrastructure that supports sound ethics.

While the findings of our May 1995 chapter on ethics and fraud awareness were positive overall, the report did show the need for action to maintain the sound ethical base. We suggested an ethics framework that focussed on a statement of principles, leadership, empowerment of public servants to act in the public interest, transparency in government decision making, ethics-related training, and a mechanism for discussing and reporting ethical concerns.

Following this, the Clerk of the Privy Council established a Task Force on Values and Ethics in the Public Service, which advocated an ethics regime similar to the one proposed in our audit. The Clerk has also emphasized the importance of honesty and integrity in her most recent reports to the Prime Minister on the public service. As well, the *Lobbyist Registration Act* has been strengthened to require public disclosure of information on who is attempting to influence government policy.

I believe there is a need to increase the momentum of these efforts to maintain probity in government. To contribute to such efforts, our Office will conduct a review of government responses to our May 1995 chapter as well as to the report of the Task Force. We also plan to conduct reviews of specific elements of the ethics framework we suggested.

For related audit work, see: 1995 Chapter 1 Ethics and Fraud Awareness in Government



Main Points

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Maintaining a Competent and Efficient Public Service

Assistant Auditor General: Maria Barrados Responsible Authors: Alick Andrews and Otto Brodtrick

Chapter 1 - Main Points

- 1.1 The public service's effectiveness, and the efficiency with which it carries out its functions, are crucial to the quality of governance and to the economic, social and political health of the country.
- 1.2 About 500,000 men and women have some form of employment in the federal public sector; about 207,000 of those constituted the traditional public service as of March 1996. The federal public service is an institution under pressure to change and adapt: pressure from Canadians, the economic-political environment, and advocates of management reform. All participants in our study were convinced of the importance of building on the strengths of the past to ensure that Canada enters the twenty-first century with a modern, world-class public service.
- 1.3 Particular attention needs to be given to renewing and rejuvenating the public service work force; resolving long-standing human resource management issues; establishing a more constructive dialogue on performance and partnership; and continuity of leadership and persistence in moving forward.
- 1.4 The public service faces the challenge of identifying and filling the gaps resulting from recent departures, as well as building the human resource capacity to meet new challenges and provide for a strong public service in the future. Problems with three of the important personnel systems need to be addressed. Various attempts have been made to modernize them but more needs to be done.
- 1.5 Improved ways of dealing with shortfalls in administrative performance need to be found. An effective public service needs a Parliament and media that can fairly discuss errors in the context of overall performance.
- **1.6** Persistent and ongoing effort is required to address these challenges. Further discussion and debate are required on the future size and tasks of the public service and on the organizational approach to take.



Developing a Capability Model

Financial Management:

Assistant Auditor General: Douglas G. Timmins Responsible Auditor: Hugh A. McRoberts

Chapter 2 - Main Points

- 2.1 The environment within which the government is operating today is rapidly changing. The effects of limited resources, downsizing and delayering are placing greater demands on the government in providing services to Canadian taxpayers. Within this environment, the need for effective financial management has never been greater. Financial management plays a critical role in contributing to the government's achievement of its goals of reducing its costs and improving its financial position.
- 2.2 Despite the number of royal commissions, audits, studies and Treasury Board Secretariat initiatives over the years, achieving effective financial management in government organizations remains, in our view, a top priority that requires ongoing attention. With each Report of the Auditor General, we continue to observe and report to Parliament on significant problems, across a broad range of government operations, that occur as a consequence of failings in financial management.
- 2.3 These issues represent, in our view, a continuing basis of concern and raise important questions about the state of financial management in the government. Not the least of these is the question of whether our observations represent the type of failings that result from doing business in any large organization, or are symptomatic of more systemic problems in financial management. Additionally, some ministers continue to express to our Office their concern and frustration over the lack of appropriate financial information to support strategic decision making.
- 2.4 The Office of the Auditor General has had, as a long-standing strategic priority, the goals of encouraging better financial management within the federal government and improving the understanding of the role that financial management can and should play. It is for this reason that, in conjunction with the Treasury Board Secretariat, we have initiated this study. The objective of this study is to build on existing work to develop a modern framework that will describe key elements needed for effective financial management and that will provide a basis for assessing the state of financial management within departments and agencies.
- 2.5 This chapter is the first stage of a study designed to respond to the need for a revitalized financial management framework. It is intended to provide a basis for discussion among central agencies, departments and our Office. Once complete, the study will provide an agreed-upon framework to assess financial management capabilities and to improve the effectiveness of financial management in the federal government.
- 2.6 We are very encouraged by the recent initiative of the President of the Treasury Board in establishing an Independent Review Panel on Modernization of Comptrollership in the Government of Canada. The Office supports the work of the Panel, and we will take the results of its work into account as this study proceeds.



Assistant Auditor General: Ron Thompson Responsible Auditor: John Hodgins

Management of the Government's Accounting Function: A Central Agency Perspective

Chapter 3 - Main Points

- 3.1 The accounting function provides essential information for managing the government and for reporting financial results to Parliament, Canadians and other interested parties.
- 3.2 Although the accounting systems are out-of-date technically, they continue to produce annual financial statements for the government that are credible, understandable and useful. In fact, in the past decade the function has undergone significant improvements and efficiencies that have, among other things, placed Canada at the forefront internationally in this type of reporting.
- **3.3** However, the ability of the accounting function to analyze and interpret financial information throughout the year needs to be strengthened in order to forecast financial results of that year and budget figures for the following year.
- 3.4 In response to these needs, the government is making extensive changes to its accounting function by implementing a Financial Information Strategy. The Strategy should help modernize and strengthen the accounting function. While we agree with the changes being undertaken through the Strategy, we believe that more is needed.
- **3.5** Specifically, we believe that the government should prepare and publish its financial reports in a more timely fashion, and consider other strategies to enhance the usefulness and credibility of its monthly or quarterly reports.
- 3.6 In view of the significant changes under way and planned, we continue to believe that the government should amalgamate its central accounting function and take immediate steps to assess the capability of accounting groups within departments and agencies to implement new systems and accrual accounting.
- 3.7 The government has established an Independent Panel on Modernizing Comptrollership in the Government of Canada. The Panel may wish to consider our findings and recommendations as part of its work.



Control of the Transboundary Movement of Hazardous Waste

Commissioner of the Environment and Sustainable Development: Brian Emmett Responsible Auditors: Dan Rubenstein or Wayne Cluskey

Chapter 4 - Main Points

- 4.1 The primary objective of this audit was to determine whether Environment Canada, in co-ordination with other federal departments and the provinces, has established an effective and comprehensive regime to control the transboundary movement of hazardous waste consistent with Canada's international commitments.
- 4.2 Environment Canada has made a good start in establishing an effective and comprehensive regime to control transboundary movements of hazardous waste, but there are still some significant deficiencies. For example, Environment Canada has yet to establish the required capacity for proactive prevention of illegal shipments of hazardous waste. At the border, there is limited enforcement action directed to detecting illegal traffic in hazardous waste.
- 4.3 Canada has an obligation, under international agreements it has signed, to control the exports and imports of hazardous wastes. Revenue Canada Customs Border Services does have an infrastructure to monitor imports on an ongoing basis, but it is not operationally set up to physically control individual export shipments.
- 4.4 There are real monetary incentives for illegal traffic. For example, the cost of processing a legal truckload of hazardous waste can range from \$300 to \$1,200 a tonne.
- 4.5 There is limited chance of detecting illegal traffic in hazardous waste at the border; inspection and effective testing of samples of potentially illegal imports and exports are limited. Moreover, there is an even lower chance of detecting illegal shipments of hazardous wastes at marine ports or railyards.
- 4.6 In an area such as controlling the transboundary movement of hazardous waste, the chain is only as strong as the weakest link. In our opinion, as a result of the significant gaps in the areas of prevention, detection and enforcement and the limited facilities to physically control exports of hazardous waste at the border, Canada is not in a position to know the extent to which it is living up to its international obligations with regard to preventing illegal traffic at the border.



Assistant Auditor General: Maria Barrados Responsible Auditor: John Mayne

Reporting Performance in the Expenditure Management System

Chapter 5 – Main Points

- 5.1 Information on how well programs are doing is needed to make informed decisions on how to spend tax dollars and improve programs, and to demonstrate to Parliament and Canadians what they are getting for their taxes. Often, neither the public nor members of Parliament, or managers, have this information. The focus has too often been on describing the services delivered, rather than their results.
- 5.2 The federal government is in the process of revamping its Expenditure Management System, the process by which it plans, budgets and seeks parliamentary approval of future expenditures. The changes create an incentive for departments to develop better information that helps managers provide more effective programs to Canadians and inform Parliament in a more timely way about the results of their activities. Some Canadian provinces and governments abroad have already made important strides toward providing their legislatures and citizens with better information about the performance of government programs.
- **5.3** Progress has been made by several departments, and we found instances in which performance information reported to Parliament addressed many key aspects of performance reporting. In particular, we found improvement in the information's orientation to results. But to fully realize the potential, departments need to describe expected performance more clearly and concretely that is, in more measurable terms. The account they give of performance needs to focus more on the benefits for Canadians. This will take time.
- 5.4 Further progress requires strong leadership by the Treasury Board Secretariat and senior departmental managers. The Treasury Board Secretariat has implemented positive innovations in a short period of time, but needs to improve the consistency of the assistance it provides to departments as well as its efforts to document and communicate good practices in measuring and reporting performance.
- 5.5 The role of parliamentary standing committees is vital to continued progress. If committees ask for information on the results of government activities and visibly use the information in their deliberations, departments will have a powerful incentive to collect and report the information.

Contracting Performance

Assistant Auditor General: Shahid Minto Responsible Auditor: Michael Weir

Chapter 6 - Main Points

- 6.1 In 1995–96 the government paid outside suppliers about \$14.3 billion (goods, services and construction), which included 6 million separate purchases affecting thousands of responsibility centre managers and suppliers, through 93 departments and agencies and 2,000 procurement experts.
- 6.2 Canada's treaty partners, businesses, appointed and elected officials and its citizens all define "good contracting performance" differently. The contracting process has become increasingly complex.
- 6.3 On the basis of our examination it appears that, while there is much to build on, there is a lot of room to improve the government's contracting performance. The conclusions we have reached are sufficiently serious, and the problems sufficiently widespread and long-standing, to warrant greater top-level attention to contracting than it has received in recent years.
- Some aspects of performance have degraded over time, and others have remained below expectations for decades. Treasury Board has not established baselines despite the multiplicity of conflicting objectives.
- 6.5 Constraints to better contracting (and to more honest reporting about contracting performance) are complex, long-standing and deeply embedded. Because of the nature of the constraints, the variations among individual departments, and the changing environment of government contracting, the potential for improvement is not uniform among departments (and even within them) or across different categories of goods and services.
- 6.6 The Treasury Board and Public Works and Government Services Canada have put in place important elements of a framework to support greater departmental autonomy in contracting. Overall, however, much remains to be done to see that these objectives are understood, accepted and realized in practice.
- 6.7 To maintain effective overall control over increasingly delegated contracting activities, delegation needs to be supported by more effective functional direction and improved visibility for results and decisions. Treasury Board Secretariat needs to:
 - explore better ways of managing long-standing tensions among the responsibilities, expectations and authority of individuals and organizations; and
 - periodically provide Parliament with a better overall strategic assessment of contracting performance and priorities, showing the progress made toward agreed objectives.
- 6.8 Public Works and Government Services Canada can assist by providing functional advice and expertise to other departments. It also needs to ensure that contracting information provided to Treasury Board Secretariat and other stakeholders is timely, credible and free of material error.



Acquisition Cards

Assistant Auditor General: Shahid Minto Responsible Auditor: Trevor R. Shaw

Chapter 7 – Main Points

- 7.1 Acquisition cards are a recent instrument of purchase in the federal government. The use of cards has grown rapidly since 1991 and continues to grow. During 1996, approximately 20,000 cards were used to acquire \$172 million of goods and services.
- 7.2 The use of cards has made it difficult to apply traditional financial controls, such as segregation of duties. Essential control cannot be achieved if organizations do not monitor and analyze cards, record and match charges, and carry out periodic audits and verifications of card transactions. We found room for improvement in all these areas. In particular, better information and increased use of electronic tools are needed to modernize control over cards.
- **7.3** Although available measurements do not point to serious losses at the present time, the severity and number of problems could increase if organizations do not strengthen control and share best practices. Now is the time for the government to assess the card program for emerging risks and the management control processes that should be applied.



Department of Finance — Equalization Program

Assistant Auditor General: Ron Thompson Responsible Auditor: Jeff Greenberg

Chapter 8 - Main Points

An essential element of citizenship [in the Canadian federation] must be relatively equal access to basic government services, irrespective of place of residence.

Royal Commission on the Economic Union and Development Prospects for Canada, 1985

- 8.1 This fundamental principle is still the driving force behind the federal government's 40-year-old equalization program, which in 1996–97 transferred \$8.5 billion in unconditional funds to the relatively poorer provinces. Equalization is a responsive program that requires continuing attention and refinement if it is to stay true to its objective.
- 8.2 Since its purpose is to equalize provincial revenue-raising capacity, the key to its success rests on how well the Representative Tax System, the basis for this program, reflects provincial tax systems. As a result, the program must adapt to the constant evolution of these systems. The legislation requires that the program be renewed at least every five years, providing the federal government, in conjunction with the provinces, with a built-in opportunity to keep the program current. We found that this process works, but that it could be more effective if the federal-provincial committee on equalization began its review of outstanding issues earlier in each new equalization period.
- 8.3 We believe that there must be a solid basis for knowing how and why the program should change. In this regard, we suggest that there should be guiding principles for the construction of the Representative Tax System and for aspects of the ceiling and floor, two provisions that limit fluctuations in the payments.
- **8.4** Because final decisions about this program rest with Parliament, we believe that the Department of Finance should make a greater effort to educate Parliament, and the public in general, about how this very complex program works. We also believe that it could use Parliament more effectively, soliciting advice from a wider circle of interested parties, rather than relying almost exclusively on the advice of a committee of federal and provincial officials.
- 8.5 We found that the administrative process by which entitlements are calculated and payments made is reasonable. However, we noted that outstanding balances owed by provinces to the federal government currently bear no interest, resulting in an additional benefit to the provinces of about \$38 million in 1995–96. We believe that the government should review its policy of interest on outstanding balances owed to, or by, the federal government.
- 8.6 We were frequently reminded by officials that the equalization program is important to the Canadian federation. However, this program is only as good as the processes that allow it to keep pace with the shifting sands of provincial tax systems. We believe that the current program and its processes for change work reasonably well, but they could be improved. This is both a challenge and an opportunity for the government, and the Parliament it serves.



Assistant Auditor General: David Rattray Responsible Auditor: John Hitchinson

Foreign Affairs and International Trade Canada — Financial Management and Control

Chapter 9 – Main Points

- 9.1 Since our 1994 audit, Foreign Affairs and International Trade has continued to improve financial control in areas where problems had previously been identified, specifically the collection of rent from employees and control of money advanced to employees. Financial training has also been improved. While progress has been made in improving basic financial systems, more remains to be done, and an attitude of cost awareness and stewardship needs to continue to be encouraged throughout the Department.
- 9.2 The \$25 fee added to the cost of each passport issued for recovery of consular costs was based initially on incorrect cost information. Subsequent to our audit, the Department undertook a new calculation of costs. Although this recalculation identified a number of cost increases and decreases, no adjustment to the consular fee appears necessary.
- 9.3 The Bureau of Physical Resources has introduced a more businesslike approach to managing property in the Department. However, in some areas control over spending on property maintenance remains weak. Large amounts have been spent on renovating and repairing official residences when heads of mission changed, without the missions and the Bureau together clearly establishing the requirements. The Bureau has not developed an overall financial plan for senior management review that presents likely annual expenditures and revenues, and alternative funding strategies for dealing with the uncertainties inherent in capital projects abroad. Information systems do not yet adequately support the property management function.
- 9.4 The Department has achieved global desk-to-desk communications with the implementation of its Secure Integrated Global Network (SIGNET); however, it has proved to be a greater task than originally envisioned. A new Chief Information Officer (CIO) has been established to be accountable for consolidating the plans and budgets for all information technology expenditures in the Department and recommending priorities. The financial information system was not used in a consistent way for budgeting IT expenditures across the Department.
- 9.5 The Foreign Service Directives (FSDs) have not changed since our last audit. However, recent initiatives to review these directives from the perspectives of tax, complexity and appropriateness could simplify the FSDs. The Department's ability to analyze and provide information on FSD costs has improved; however, the shared management structure for FSDs is not functioning as effectively as it could. The management of travel under the Foreign Service Directives has improved over the past two years.



Assistant Auditor General: Maria Barrados Responsible Auditor: Ellen Shillabeer

Natural Resources Canada — Energy Efficiency

Chapter 10 - Main Points

- Natural Resources Canada (NRCan) has been in the business of promoting energy efficiency for many years. The Department has made a fundamental shift in the way it promotes energy efficiency since the mid-1980s when the emphasis was on grant programs. The Department now sees its role as providing leadership and establishing partnerships with others to reduce energy use and to improve energy efficiency. The current focus is on the environmental impacts of energy use.
- NRCan's current set of 16 non-research and development energy efficiency initiatives is a key element supporting Canada's commitment to stabilize greenhouse gas emissions at 1990 levels by the year 2000. We found that NRCan's current performance information, on both expectations and achievements, is not sufficient to determine the overall success of its energy efficiency initiatives in terms of the contribution they are making to this stabilization goal.
- 10.3 Departmental expenditures on these 16 initiatives were about \$16.5 million in fiscal year 1995–96. Of the extensive range of policy instruments available to encourage energy efficiency, the Department uses a limited number of instruments, namely selective regulations, information and voluntary action.
- 10.4 The objectives established for many of the energy efficiency initiatives do not provide a clear and concrete expectation of achievement against which the Department can assess its progress and report to Parliament. More work must also be done to measure and assess the overall achievements of its initiatives, including the development of appropriate links to the stabilization goal. The Department is taking steps to improve the quality of its performance information, where cost-effective and feasible.
- 10.5 Opportunities exist to enhance departmental transparency and accountability by better reporting to Parliament on both the performance expectations and performance achievements of the individual initiatives.
- 10.6 The Department has begun to lay the foundation to improve the energy efficiency of its own facilities and fleet of vehicles, and it expects to achieve its current targets by the end of 1997–98.



Assistant Auditor General: Maria Barrados Responsible Auditor: John Mayne

Moving toward Managing for Results

Chapter 11 - Main Points

- 11.1 Meeting Canadians' expectations for cost-effective programs requires that government managers focus on achieving results, especially benefits for Canadians. Basing decisions on results is vital as government reviews its involvement in program delivery and relies more on delivery by third parties. However, we found that managing for results is not widespread in government. In the past, managers have tended to focus on the resources they used, the activities they carried out and the procedures they followed.
- 11.2 A number of recent government initiatives support a focus on results, but concerted effort is required to bring about change. This study sought to support this change by drawing together experience from Canadian government programs and some other jurisdictions that have made significant progress. We selected examples for the study that illustrate different contexts and approaches.
- 11.3 We found cases where managers were measuring performance, communicating results information internally and externally and using the information to improve results. Managers of these programs were able to point to improvements in the key outcomes that they and their ministers were trying to achieve for Canadians. They also found that managing for results improved their management practices, program activities and programs' credibility.
- 11.4 The way managing for results is implemented will vary depending upon the situation of a particular program, but we found a number of consistent themes. Senior management leadership and commitment at all levels of government are particularly important. Effective managers create an organizational climate that encourages managing for results. Also important is agreement on the results to be expected and how to measure them. Although difficult to achieve, such agreement is necessary in order to focus activities and permit an assessment of progress.
- 11.5 Continued progress in managing for results will require ongoing leadership and attention across government. In particular, decision makers need to show that results count, by asking about results and visibly using them to make decisions.



Assistant Auditor General: Doug Timmins Responsible Auditor: Nancy Cheng

Information Technology: Preparedness for Year 2000

Chapter 12 – Main Points

- 12.1 The "Year 2000" crisis is a global phenomenon. It refers to the potential for systems errors, malfunction and failure as a result of the past practice by computer professionals and the information technology community of representing the year as a two-digit code. Year 2000 can threaten the functioning of government systems that support the delivery of programs and services to the public, as well as internal operations. The costs of dealing with Year 2000 issues have been estimated at as high as US \$600 billion globally. In Canada, total costs are estimated to range from \$30 billion to \$50 billion. The Treasury Board Secretariat has estimated the costs for the Canadian government at \$1 billion.
- 12.2 Year 2000 has been widely recognized as one of the largest information technology projects. The deadline is immovable and the next millennium is less than three years away. We concluded, as of the end of April 1997, that the rate of progress in mitigating the risks of systems errors and failure has generally been slow, and the residual risks are high. In addition, significant exposures such as competing priorities for systems development and insufficient technical resources could, if they materialize, jeopardize Year 2000 efforts.
- 12.3 The Treasury Board Secretariat has helped to raise awareness across government and facilitated the exchange of views and experiences on Year 2000 efforts. Its Year 2000 project office has been working with departments and agencies to identify and find solutions to common problems. The Secretariat advised us that its submission for funding government-wide initiatives was approved in late June for presentation to the Treasury Board during the summer of 1997.
- 12.4 However, if progress were to continue at the rate we observed at the time of the audit, it would likely be too slow to ensure that the government systems, including those that are critical to supporting major programs and essential services, will be ready in time. We are concerned that systems supporting government programs and services remain at risk. Failure of critical systems could affect public health and safety and essential services to the public. In our view, Year 2000 is a serious threat that requires urgent and aggressive action.
- 12.5 We have recommended that Year 2000 projects, including the development of contingency plans, be ranked among top priorities of departments and agencies. In addition, we have recommended that the Secretariat give high priority to its initiative on overseeing the successful implementation of the most critical systems for the government as a whole. We have also emphasized the need for sustained commitment and support from senior management and for continued engagement of ministers, as appropriate, to address exposures and roadblocks that can derail Year 2000 projects.

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Health Canada - First Nations Health

Assistant Auditor General: Maria Barrados Responsible Auditor: Ronnie Campbell

Chapter 13 - Main Points

- 13.1 First Nations health is significantly worse than that of the general Canadian population. The health status of the First Nations population is affected by poor socio-economic conditions, which present considerable challenges to Health Canada and others who deliver health services to First Nations.
- 13.2 The management of community health programs through separate contribution agreements needs improvement. Health Canada does not monitor contribution agreements effectively. Clear and detailed descriptions of the programs to be undertaken in specific communities were often not available. In about two thirds of the agreements we examined, the Department did not have the required information on the activities carried out in the communities.
- 13.3 A sound framework for the transfer of health programs to community control has been developed and has allowed First Nations to start managing their own health programs. However, this framework has not yet been fully implemented. Required reports seldom provide performance information related to health, and requirements for program audits were not adequately met. In addition, the evaluation of the transfer initiative did not include any measures of changes to health.
- 13.4 Significant weaknesses exist in the management of pharmacy benefits under the Non-Insured Health Benefits program, allowing clients to access extremely high levels of prescription drugs. Although the Department has been aware of the problem of prescription drug misuse for almost 10 years, we found no evidence that the ease of access to prescription drugs has changed in any significant way. Despite the seriousness of the problem and numerous reports of prescription drug addiction and prescription-drug-related deaths in First Nations communities, action to intervene has been slow.
- 13.5 In an attempt to address program weaknesses, Health Canada is currently testing a point-of-service system that is to be fully implemented in the fall of 1997. Such a system has the potential to be a key mechanism in the control of drug use and the administration of pharmacy benefits. However, the Department needs to provide a clear protocol to guide intervention and will need to closely monitor pharmacists' overrides of warning messages.
- 13.6 Dental care providers tend to provide services up to the established frequencies and limits rather than based on needs, resulting in overservicing of some First Nations clients. The Department has piloted a predetermination process and plans to implement this needs-based model for the dental benefit nationally.
- 13.7 The Department has successfully implemented some cost management initiatives, resulting in a reduction in the rate of increase in direct program costs for non-insured health benefits from 22.9 percent in 1990–91 to 5.6 percent in 1995–96. However, further savings can be achieved in other areas, including dispensing fees and medical transportation. In addition, management needs to strengthen verification of claims and audits of providers.



Assistant Auditor General: Don Young Responsible Auditor: Doug Timmins

Fisheries and Oceans Canada — Sustainable Fisheries Framework: Atlantic Groundfish

Chapter 14 - Main Points

- 14.1 Although many Atlantic fisheries continue to thrive, the 1990s saw the collapse of most of Atlantic Canada's commercial groundfish fishery. As Atlantic groundfish stocks headed toward their lowest levels in recorded history. Fisheries and Oceans Canada and the Northwest Atlantic Fisheries Organization progressively closed most of the commercial Atlantic groundfish fisheries and significantly reduced the total allowable catch for others.
- 14.2 To address this situation, the federal government implemented income support and adjustment programs to help those dependent on the fishery and also undertook specific initiatives designed to improve fisheries resource management and bring industry capacity into line with the size of the groundfish resource. The government will have spent over \$3 billion of new and reallocated program funds this decade. While some progress has been made, many of the critical problems related to the fishery remain, particularly the excess capacity to catch fish, and the number of people relying on the fishery and associated income support programs remains high.
- 14.3 Managing the seasonal and labour-intensive Atlantic groundfish fishery on a sustainable basis is extremely challenging. Decision makers face the imprecision inherent in determining the status of fish stocks as well as pressure from fishers, plant workers and industry to maintain access to and income from the fishery, access to employment insurance during the off-season, and access to alternative forms of government support in times of crises.
- 14.4 Although Fisheries and Oceans Canada has stated principles for a fishery of the future, measurable indicators to assess progress are required. While progress has been made in reducing the number of groundfish licences, excess harvesting capacity in terms of an ability to kill fish remains. The Department needs to further its efforts to identify the extent of the contribution of environmental and other factors to the decline of the groundfish. In addition, fisheries management practices need to be further improved to better manage the risks and uncertainty inherent in managing the fishery as a sustainable resource. A precautionary approach to conservation must be the priority and unsustainable fishing practices need to be addressed.
- 14.5 The Department has stated that its mandate is conservation of the fishery resource base and that this is implied in current legislation. Nevertheless, we found no clearly stated national policy for sustainable fisheries. In addition, performance indicators need to be further developed and planning and performance reporting processes need to be better integrated.
- 14.6 The deep cultural attachment to the groundfish fishery has been reinforced by several decades of government subsidies. This has resulted in substantial pressure on government to maintain the status quo; that is, to use the fish as a basis for providing income support. Successive governments have provided increasing income support for the people living in the remote coastal communities in Atlantic Canada. This reaction to social pressures has not resulted in an economically viable fishery. In fact, the absence of the fishery has revealed, more clearly than ever before, the substantial reliance on income support by a significant portion of the Atlantic fishing industry. This reliance makes dealing with already complex problems of overcapacity and fisheries management more difficult.

Chapter 14 – Main Points (cont'd)

14.7 With the future of groundfish uncertain, the problems remain critical. In our view, the Department, in conjunction with the government, needs to take further steps to implement the principle that "conservation is the paramount priority", as well as to continue to pursue efforts to ensure that resource management decisions reflect the principle that "harvesting capacity must match the available resource base." At the same time, the government must deal with difficult socio-economic decisions about the future of those whom the fishery cannot support, if fisheries management is to ensure an ecologically and economically sustainable fishery.



Assistant Auditor General: Don Young Responsible Auditor: Doug Timmins

Fisheries and Oceans Canada — Rationalization and Renewal: Atlantic Groundfish

Chapter 15 - Main Points

- 15.1 The Department has identified the need for fundamental changes in the fishery, in its relationship with the industry and in its management practices, in order to achieve a sustainable fishery. Since 1992, the Department has moved to reduce the number of groundfish licences, made changes in the management of the fishery and is developing new arrangements for the sharing of responsibility for managing the fishery in the future.
- 15.2 A key objective of The Atlantic Groundfish Strategy (TAGS) and other initiatives is to reduce existing harvesting capacity by at least 50 percent over the long term. The allocation of funds to reduce harvesting capacity under TAGS, originally \$300 million, was subsequently reduced to \$97 million. The Department focussed its capacity reduction efforts on the removal of licences and is paying about \$88 million of this amount to fishers to retire 545 groundfish licences and 266 fishers without licences. The Department would have been able to reduce more licences had the funds allocated to licence buyback and retirement not been reduced by almost \$200 million. A further 2,626 licences have been identified for eventual removal from the fishery once the current licence holders exit the fishery. Assuming that the Department is able to effect the removal of these licences, it will have removed approximately 23 percent of the groundfish licences in place at the time TAGS was introduced. However, this will still leave about 10,000 groundfish licences, a portion of which represents the groundfish harvesters who historically caught most of the fish. Thus, significant overcapacity, in terms of the ability to catch fish, will remain.
- 15.3 The Department has made many changes to its groundfish management activities since 1992, which it believes represent improvements over practices that were previously in place. These changes include the introduction of conservation measures in conservation harvesting plans and the integration of fisher knowledge in groundfish management. Nonetheless, fisheries management practices need to be further improved to ensure the sustainability of the resource base.
- 15.4 Past management practices were introduced with the intention of ensuring conservation. For a variety of reasons, these practices were not successful when implemented. To deal with the inherent uncertainty of the resource base, a precautionary approach is required as a basis for decisions. In addition, further improvements are necessary in catch monitoring, and enforcement must become a more important and active component of groundfish management.
- 15.5 While implementing Program Review cutbacks, the Department is also reorganizing. Its long-term strategy is to transfer more fisheries management responsibilities to the groundfish industry. The transfer has not yet occurred, in part because of legislative limitations but also due to the inability of some segments of the industry to accept greater responsibility. In the absence of assurance that industry can and will accept increased responsibility, we are concerned about the potential impacts on conservation as a result of reductions and planned changes to the Department's groundfish management activities.



Assistant Auditor General: David Rattray Responsible Auditor: Louis Lalonde

Human Resources Development Canada — The Atlantic Groundfish Strategy

Chapter 16 – Main Points

- 16.1 The accountability framework for The Atlantic Groundfish Strategy (TAGS) has significant weaknesses that have had an impact on the value obtained for money spent. These include the following:
 - the responsibilities of the organizations charged with developing and implementing TAGS were not clearly defined or agreed upon in a memorandum of understanding;
 - no overall strategic plan was established to identify and schedule the activities of the organizations responsible for implementing TAGS and to determine the indicators and performance expectations to be used, monitored and reported on;
 - no formal co-ordination mechanism was envisaged, even though TAGS involved joint activities because of its interdependent components; and
 - the information submitted to Parliament did not make it possible to determine progress toward TAGS objectives of restructuring Atlantic Canada's fishing industry to make it economically viable and environmentally sustainable.
- 16.2 The timetable for developing an initiative as important as TAGS was unrealistic. It was not geared to the restructuring of the industry. The funds (\$1.9 billion) were distributed according to a preliminary strategy, but subsequently had to be reallocated among TAGS components because of major changes to the initial strategy and because forecasts of the eligible population had been too low.
- 16.3 The information needed to assess participant eligibility was not always available. Because clear, accurate information was difficult to obtain, decisions were made on the basis of incomplete information that did not meet the requirements of TAGS eligibility criteria. Errors in applying the criteria were noted from the time TAGS was implemented, and many corrections had to be made. Varying interpretations of the eligibility criteria resulted in different treatment of participants in various areas.
- 16.4 The results of the labour adjustment component of TAGS will not be known. Program evaluation efforts were abandoned when the Strategy changed from an active participation strategy to a passive one. We are concerned that the information gathered and the lessons learned during an initial evaluation of program development and implementation may be lost and that results will not be accounted for.
- 16.5 The government proposes to review the longer-term issues arising from the elimination of TAGS foreseen in May 1998. We urge the government to examine carefully the consequences and impacts of the decisions made under TAGS in order to benefit from the valuable lessons that can be learned.



Assistant Auditor General: David Rattray Responsible Auditor: Louis Lalonde

Human Resources Development Canada

A Critical Transition toward Results-Based Management

Chapter 17 - Main Points

- 17.1 Human Resources Development Canada has begun a transition toward results-based management. To this end, it has instituted a number of initiatives, including the publication of its *Results-Based Accountability*Framework, consultation with employees, and establishment of performance measures for major activities. The Department has also extended the application of these performance measures to activities carried out jointly with its partners. Overall, the roles and responsibilities of the partners are well defined. Also, the new Labour Market Development Agreements generally include the elements that are essential to good accountability among partners.
- 17.2 Certain steps remain to be taken to complete this transition. The Department needs to strike a suitable balance among the effectiveness, cost and quality of its services; at present, it does not analyze costs along with key performance indicators. It also needs to link performance to the consequences of having met or not met expectations.
- 17.3 The support of the employees working in the Human Resource Centres of Canada is essential if the Department is to successfully implement the Framework. The credibility of data on certain programs needs to be resolved within a reasonable timeframe. Employees need to have confidence in the reliability of the information, or the entire initiative may be jeopardized.
- 17.4 The information that Parliament receives on actual results compared with stated objectives is incomplete. We believe that, given the importance and the special nature of the Employment Insurance Account, it would be beneficial for Parliament if information were all in one place. There is no distinct report containing financial information on performance. Such a report could include, among other things, performance information, results achieved and actuarial analyses, which at present are not tabled in Parliament. Tabling actuarial analyses would improve the transparency and the availability of the data necessary for establishing an adequate reserve in the Account.
- 17.5 Our audit of two activities, management of accounts receivable and protection of program integrity, confirmed that progress has been made in results-based management. The Department has made major efforts since 1994 to integrate and harmonize the management of accounts receivable for all its programs. However, the quality of the portfolio of accounts receivable has deteriorated over the last five years. The performance of accounts receivable could be better measured, targeted and analyzed in order to assess the cost effectiveness of the Department's collection activities.
- 17.6 In activities for the protection of program integrity, results-based management is most advanced in the Employment Insurance Program. Since 1992, the Investigation and Control Directorate has been using information on results to negotiate resource levels and to set the national savings expectation. However, the other activities for the protection of public funds could be better measured and targeted in order to manage for results.



Assistant Auditor General: Shahid Minto Responsible Auditor: Jim Ralston

Revenue Canada and Department of Finance

Fostering Improvement in Tax and Trade Administration: Follow-up of Previous Audits

Chapter 18 - Main Points

- 18.1 Over the last few years, Revenue Canada and the Department of Finance have made many changes to systems, procedures and practices that have strengthened tax and trade administration. Some of these changes are a result of the departments' own commitments to improving their operations; some changes were in response to reports of parliamentary committees; and other changes were made to respond to our observations and recommendations in reports on our value-for-money audits.
- 18.2 Our follow-up on previous recommendations found that progress is being made on a number of fronts. We encourage the two departments to continue their efforts to address the areas where concerns remain.
- 18.3 Revenue Canada is now making available more income tax advance rulings and GST rulings and interpretations and has taken steps to improve its documentation of key decisions leading to advance rulings.
- 18.4 The Department continues to have difficulty completing reviews of income tax returns selected for scrutiny during the annual processing program. It has expanded the number of processing review fields it is tracking, and it is maintaining year-to-year consistency in the fields chosen. Data quality improvements are expected to improve Revenue Canada's ability to analyze and evaluate the performance of the processing program.
- 18.5 The integration of collections for income tax, GST and customs and excise, the establishment of a risk analysis system, and changes in collection procedures are expected to enhance the collections function. A new procedure for early contact on large delinquent accounts is proving to be very productive, bringing in \$181 million in 1996–97. Revenue Canada has published guidance on applying the Fairness Package and has established a system to track its use.
- 18.6 The Department is shifting from an audit selection strategy focussed on identifying individual taxpayers to one focussed on industry sectors. It is also trying to take advantage of administrative consolidation to increase audit visibility and coverage. However, the Department still does not have a verification program aimed at RRSP contributions. Through improved reporting of social insurance numbers and sharing of data with other federal departments and provincial governments, Revenue Canada is improving its ability to pursue income tax non-filers and GST non-registrants.
- 18.7 It has developed a process to manage the risk associated with complex tax legislation, which can be a source of revenue leakage if provisions can be used for tax avoidance. It has also improved the collection and reporting of performance data across a number of its programs.
- 18.8 In trade administration, Revenue Canada's periodic verification initiative and country-of-origin audit program are expanding. The Department's small importer strategy has been formulated and implementation started.
- 18.9 With respect to tax assistance for retirement savings and income tax incentives for research and development, the Department of Finance has taken steps to provide improved estimates of program costs and to provide evaluations of program effectiveness. It has also taken steps to correct technical deficiencies in the law related to foreign affiliates and taxpayer migration.



Assistant Auditor General: Shahid Minto Responsible Auditor: Hugh A. McRoberts

Transport Canada

The Commercialization of the Air Navigation System

Chapter 19 – Main Points

- 19.1 On 31 October 1996, in exchange for a payment to the Crown of \$1.5 billion, a substantial legislated monopoly in perpetuity for the operation of Canada's civil air navigation system was transferred to NAV CANADA, a private not-for-profit corporation created in 1995 to receive and operate the system.
- 19.2 Transport Canada did not fully segregate the air navigation system elements that were to be privatized before entering the sale process. It developed a number of estimates of the system's value, but did not obtain a formal valuation opinion from a qualified independent professional. Nor did it obtain any external assurance as to the reliability of the financial information and results on which it was basing its decision on the sale.
- 19.3 The Department used both going-concern and net book value approaches to valuing the system. Although the air navigation system was sold as a going concern, the Department reconciled the "purchase price" to a valuation of the system based on an "adjusted" net book value. In our opinion, that was not an appropriate method of valuation in these circumstances. "Due regard to economy" does not mean that the purchase price must equal the valuation; but it does mean that the value must be known and that any difference should be explained.
- 19.4 The government had directed Transport Canada to receive fair market value for the transfer of the air navigation system to a not-for-profit entity; the Department agreed to transfer the air navigation system for a negotiated payment of \$ 1.5 billion, approximately \$1 billion less than the entity's going-concern value of \$2.4 billion estimated by the Department's financial advisors.
- 19.5 The costs of transferring the air navigation system to the not-for-profit corporation were significant. Nevertheless, Transport Canada did not identify separately the cost associated with pension transfers, currently estimated at between \$145 million and \$275 million.
- 19.6 We are concerned about the Department's lack of justification for entering into a sole-source contract with its principal financial advisor.
- 19.7 We audited some elements of Transport Canada's oversight of the air navigation system. We did not audit the safety of the system and provide no opinion on it. We found that the legal and regulatory foundations for the regulation of NAV CANADA have been established and the Department has very recently approved its Policy Framework for the Safety Oversight of Canada's Air Navigation System. Nonetheless, there are important matters of risk, data, and audit and inspection that must be resolved before Transport Canada's regulatory regime can be said to be fully operating. The Department is aware of these issues and is in the process of drafting action plans and taking steps to deal with them.
- 19.8 We are concerned that until Transport Canada makes significant progress in implementing its performance-based regulatory regime, it will not be in a position to have full assurance of NAV CANADA's compliance with the safety regulations governing the air navigation system. Although it has indicated that it would be aware of any problems that existed, the Department has yet to conduct its first audit or inspection of NAV CANADA's operations.



Assistant Auditor General: Shahid Minto Responsible Auditor: Alain Boucher

Public Works and Government Services Canada

Privatization of the Canada Communication Group

Chapter 20 - Main Points

- **20.1** The government made the decision to privatize the Canada Communication Group (CCG) and approved the sale process in April 1996.
- 20.2 The government's privatization objectives were to obtain best value for the sale of CCG, with minimum risk and liability for the government, and to minimize the impact on the printing industry while securing job continuity in the private sector for as many of its employees as possible. The government did not offer any guarantee of future business. However, to sell under the best conditions possible, it offered to prospective purchasers a business advantage, for a period of five years, in the form of privileged access to all government departments and agencies.
- 20.3 CCG was sold through a competitive sale process. The invitation to submit bids was made through the Open Bidding System. We found that the process was indeed open and attracted a significant number of bidders from the printing industry. The evaluation of offers received was conducted in accordance with the stated process and resulted in a proper evaluation of the bids. We therefore concluded that the offer submitted by the successful bidder, St. Joseph Corporation, represented the best value that could be obtained at that time under the conditions of sale specified by the government.
- 20.4 We found that there was satisfactory control over the transfer of assets and liabilities to the purchaser and that adequate revenue and expense cut-off procedures were used at the closing of the transaction.
- 20.5 CCG estimated the net cost for the divestiture of the organization at \$45.3 million. However, certain costs to be absorbed by other federal government entities as a result of the privatization were not included in this amount. Those costs included the waiving of about \$20 million to \$25 million of pension penalty costs for those who benefited from early retirement, and costs related to pension protection. The inclusion of the pension penalty costs alone would have brought the net cost of privatization to between \$65 million and \$70 million. In addition, the pension penalty costs were not included in CCG's analyses of the various future options for the organization. The inclusion of this cost element could have had an impact on the results of the cost/benefit analyses conducted.
- **20.6** We tested a sample of cases related to the Work Force Adjustment program established for CCG and found that they all complied with the conditions of the program. As well, we determined that the CCG program was comparable with the programs of departments and agencies subject to the Treasury Board Work Force Adjustment Directive.
- 20.7 We consider that the privatization process was well managed within the parameters set by the government; however, it is too early to predict whether this privatization will be a success in the longer term. Fairness to prospective purchasers and employees and jobs for employees were important criteria for the government, but resulted in costs (such as Work Force Adjustment costs) exceeding those that would have been incurred in a private sector transaction.



Assistant Auditor General: David Rattray Responsible Auditor: Vinod Sahgal

Household Goods Removal Services of the Federal Government

Chapter 21 - Main Points

- 21.1 This audit was conducted in response to a request from the Standing Committee on Public Accounts.
- 21.2 Some 19,000 employees were moved by the federal government in 1995–96 one quarter of all moves by the van lines in Canada and several times more than the next-largest Canadian employer. The federal government is well placed to obtain favourable terms from the moving industry.
- 21.3 The tariff paid by the government has been falling significantly in recent years. A number of factors have contributed to this decline, including introduction of the competitive bidding process in 1992. The tariff is below that paid by all but a few Canadian organizations procuring similar services. Nevertheless, there are a number of areas that warrant action.
- 21.4 The level of satisfaction of government employees with the quality of service was below that of relocated employees of other Canadian organizations. One reason is that emphasis has been placed mainly on obtaining the lowest price, not the "best value" a concept based on both price and quality as measured in terms of employee satisfaction.
- 21.5 The existing contracting arrangements, which incorporate a formula for allocating business among qualified bidders, have proved to be brittle. For two consecutive years, problems have arisen in either the tendering or the implementation phase.
- A potential exists for overcharging due to "weight bumping" as well as excessive weight for other reasons. The inherent risk that billed weights can be manipulated is high, yet controls to prevent this are weak.
- 21.7 The number and cost of personnel employed to administer household goods removal activities have not been falling despite the significant decline in volume of moves. Potential efficiency gains have been identified that could achieve savings of an estimated \$1.5 million yearly. Enhanced use of information technology, centralization, simplification of rules and regulations, and elimination of unproductive activities are some areas that need action.
- 21.8 There are other areas of potential cost savings. For instance, yearly savings of \$1 million to \$2 million in operating costs may be possible if a feasible alternative to weighing shipments can be found for pricing moves.
- 21.9 The employment of several former senior National Defence officials by the moving industry has created a perception of non-arm's-length relationships. Further, a specific situation being looked at by National Defence may determine whether or not any abuse actually occurred.



Crown Corporations: Making Performance Measurement Work

Assistant Auditor General: John Wiersema Responsible Auditors: Pierre Serré and Grant Wilson

Chapter 22 - Main Points

- **22.1** Management and boards of directors of Crown corporations, as well as government and Parliament, require performance information to determine the extent to which expected results have been achieved by Crown corporations. Performance measurement is central to good management and helps fulfil accountability requirements.
- 22.2 Some Crown corporations are further along than others in developing performance indicators, but the process is under way for all. The experience of those that have moved beyond theory to practical application will undoubtedly be of benefit to those wishing some guidance. We would expect that, if corporations use performance indicators to manage, this should lead to better performance reporting as well as fewer significant deficiencies in the third cycle of special examinations.
- 22.3 Leadership as well as clear objectives and strategies are essential to support the development of performance indicators by which to assess performance. These indicators can then be used throughout a corporation to align plans and activities with corporate objectives and public policy roles.
- 22.4 A corporation needs indicators that are complete and balanced to effectively support the alignment of plans and activities with objectives and roles. There are a number of frameworks that can assist a corporation to develop and maintain its set of indicators.
- 22.5 It is important that boards of directors of Crown corporations use performance indicators in monitoring and evaluating performance and require management to develop and use indicators as a meaningful and integral part of the management process.
- **22.6** Boards of directors may wish to consider delegating to the corporations' audit committees some responsibility for assessing the state of performance measurement and reporting.



Taking Charge

Systems under Development:

Assistant Auditor General: Doug Timmins Responsible Auditor: Eric Anttila

Chapter 23 - Main Points

- 23.1 In its efforts to respond to perceived needs of taxpayers and to reduce its costs, the government has undertaken to develop many new information systems. In this audit, we examined three projects that were managed in-house by the departments. We found that they shared similar risks with contract projects, including being late, going over budget and not meeting the needs of users.
- 23.2 Compared with contract projects, in-house projects were better aligned with the business objectives of the departments and were broken down into more manageable components. In addition, senior management was more involved, communications were more effective and the expertise and experience of the staff were better used.
- 23.3 Two of the three in-house systems that directly serve Canadians need to reflect a better understanding of who the clients are and what their needs are.
- 23.4 The disciplines of planning, oversight and quality assurance reduce the risks associated with the business and technical complexity of both contract and in-house projects. However, the three projects that we examined had some deficiencies in these areas.
- A major concern we have reported before is the lack of recording and tracking of actual project costs. Without such tracking, projects can take longer, cost more and deliver less. Although one project was able to provide us with fairly complete estimates, none of the projects could provide precise actual costs. We estimate that each of the three projects we examined will cost the taxpayers between \$50 million and \$100 million.



Assistant Auditor General: Don Young Responsible Auditor: Neil Maxwell

Agriculture and Agri-Food Canada – Prairie Farm Rehabilitation Administration

Chapter 24 – Main Points

- 24.1 Over the last six decades, the Prairie Farm Rehabilitation Administration, a Branch of Agriculture and Agri-Food Canada, has adapted its role to the changing demands for reclaiming land, developing water supplies and addressing sustainable development of the rural Prairie landscape. Its familiarity with local conditions, such as the risks of flooding in Manitoba, and its network of offices across Western Canada have enabled it to collaborate with provinces, producers and community-based businesses.
- 24.2 Although the Branch has adapted to the changing needs of the Prairies, it needs to clarify its strategic direction and priorities, linking its Business Plan, its operational planning and decision making and its financial planning to the results it expects to achieve.
- 24.3 Consistent with the Department's transition toward results-based management, the Branch has begun developing a results-oriented, targeted approach to planning and delivering its programs and the rural development agreements in which it participates with others. However, efforts to develop mechanisms to define, categorize, cost and prioritize regional needs within the scope of its mandate need to be accelerated.
- 24.4 Co-operative working relationships with an extensive network of partners across the Prairies have served the organization well. At the same time, there is an opportunity for the Branch to play a catalytic role of leadership with other levels of government to eliminate gaps in program delivery related to water quality, inventory and supply.
- 24.5 Approximately 698 full-time-equivalent staff deliver Prairie Farm Rehabilitation Administration programs from 30 offices, at a cost of approximately \$70 million per year. While the Branch has acted on a number of opportunities for cost reduction and cost avoidance, it continues to operate the programs and to plan future activities without reassessing the need for existing resource levels.
- 24.6 Cost recovery has been implemented for approximately \$10 million of its services, but there is an opportunity to expand these cost recovery initiatives. There is inconsistency in what is presently recovered. We are concerned that the public cost of certain activities may be disproportionate to the public good received.



Assistant Auditor General: Richard Flageole Responsible Auditor: Serge Gaudet

Citizenship and Immigration Canada and Immigration and Refugee Board

The Processing of Refugee Claims

Chapter 25 – Main Points

- 25.1 When it signed the 1951 United Nations Convention Relating to the Status of Refugees and the 1967 Protocol thereto, Canada undertook to protect refugees. The processing of refugee claims functions in a context characterized by intense and complex migratory movements. In addition, formal procedures must be followed and legal requirements taken into account in order to guarantee compliance with the provisions of the Immigration Act and Regulations and the Canadian Charter of Rights and Freedoms.
- 25.2 At the end of 1988, the process had developed a backlog of some 85,000 claims. The system was not up to the task and a radical change was needed. A new structure and a completely revised process for handling claims was put into place in 1989. The expectations were clear: quick, equitable and efficient resolution of claims and the removal of failed claimants.
- 25.3 We note, however, that Citizenship and Immigration Canada and the Immigration and Refugee Board have serious difficulties dealing with claims quickly and efficiently. We are particularly concerned by the size of the backlog, the lengthy processing times and the difficulty of carrying out removals. We have made recommendations aimed at improving results at various stages in the process.
- 25.4 Immigration officers rule on the eligibility of a claim without having obtained the required information. Moreover, the information gathered when the claim is received does not serve adequately at other stages in the process.
- 25.5 The high turnover among members of the Immigration and Refugee Board, and their short terms, have a significant negative impact on achieving targeted results. Moreover, lack of rigour in certain practices slows down the process. The Board has made efforts to improve the process but their success will depend in part on the Board's ability to improve its organizational climate.
- 25.6 Citizenship and Immigration Canada is having difficulties resolving failed refugee claims quickly and efficiently. The review of risk of return contains ambiguities that raise questions about its merit. We also found a lack of rigour in the assessment of humanitarian grounds for allowing failed claimants to remain. Further, the Department is having serious difficulties carrying out removals.
- 25.7 Refugee-related questions are complex. A thorough review of the refugee claim process is required including the division of roles and responsibilities among the various stakeholders as well as the infrastructure of co-ordination and control. However, it is essential that realistic expectations be set for the speed and efficiency of claims processing.



Canada Labour Relations Board

Assistant Auditor General: David Rattray Responsible Auditor: Alan Gilmore

Chapter 26 – Main Points

- 26.1 In our May 1995 Report chapter on ethics awareness in the federal government, we proposed that the guiding principle for public office holders be that "public service is a public trust." The object of the government's Conflict of Interest and Post-Employment Code for Public Office Holders is to "enhance public confidence in the integrity of public office holders and the decision-making process in government." We agreed with the general principles of the Code. Of particular relevance to our present audit is the principle that "public office holders have an obligation to perform their official duties and arrange their private affairs in a manner that will bear the closest public scrutiny, an obligation that is not fully discharged by simply acting within the law."
- 26.2 We found that certain financial practices of the Canada Labour Relations Board (CLRB) would not "bear the closest public scrutiny". Recent reviews of the Board have consistently found major organizational and performance problems resulting, in large part, from an ongoing conflict between the Chair and the Vice-Chairs over control of the work of the Board.
- 26.3 This dispute has contributed to the undermining of financial and management controls over case processing and scheduling and over travel expenditures. Proposed legislation that failed to pass in the Senate before Parliament was dissolved in April 1997 would have given the Chair authority for "supervision and direction over the work of the Board."
- After their terms as board members have expired, former board members continue to hear ongoing cases with which they have been involved. However, clear time frames for completing hearings and writing decisions are not established. The cost effectiveness of this type of open-ended appointment of former members is questionable. During the period April 1989 to March 1997, about \$1.7 million was spent for former board members to continue to hear cases. This is equivalent to paying about 14 full-time board members for one year. When their terms expired, a total of about \$595,000 was paid to former board members in severance entitlements and for unused vacation leave.
- 26.5 Until they were revised in January 1997, certain of the CLRB's policies on reimbursement of travel expenses for accommodation, food and incidentals were not reasonable or consistent with legislative authority. We also concluded that the Chair's pattern of expenditures on travel and hospitality is not reasonable.
- **26.6** We make recommendations to address management and financial control problems in the Canada Labour Relations Board as well as systemic issues involving Governor in Council appointees. We also identify issues that we believe need to be brought to the attention of Parliament at this time.



Commissioner of the Environment and Sustainable Development: Brian Emmett Responsible Auditor: Wayne Cluskey

Ozone Layer Protection: The Unfinished Journey

Chapter 27 – Main Points

- 27.1 Because of its northern location, Canada is one of the countries most at risk from the effects of ozone layer depletion, considered one of the most serious global environmental issues to confront humankind. It poses major threats to human health and ecosystems.
- 27.2 The problem of ozone layer depletion has not been solved. The full recovery of the ozone layer is not predicted for at least 50 more years, assuming full implementation of the *Montreal Protocol*, an international treaty signed by more than 160 countries and aimed at eliminating ozone-depleting substances (ODS).
- 27.3 Canada has met or exceeded its obligations under the *Montreal Protocol* in each year since it came into effect, according to data compiled by Environment Canada. Canada has also provided assistance to developing countries in their efforts to eliminate ODS. Foreign government officials and experts see Canada as having played a pivotal role in the early development and ongoing evolution of the *Montreal Protocol*.
- 27.4 Effective enforcement of federal ODS regulations under the *Canadian Environmental Protection Act* (*CEPA*) is necessary to ensure that phase-out commitments are fulfilled and reported with confidence, as well as to curb illegal trafficking of ODS. We observed several weaknesses in Environment Canada's overall inspection function for ODS regulations under *CEPA*, and believe it is insufficient to ensure compliance with the regulations.
- 27.5 Canada was among the first countries to put in place a national regime for the recovery and recycling of chlorofluorocarbons (CFCs) aimed at reducing emissions of ODS to the atmosphere, through the implementation of a federal-provincial 1992 National Action Plan. Many of the tasks included in the Plan have been accomplished, including the implementation of regulations in 9 of 10 provinces and the training of more than 75,000 service technicians.
- 27.6 However, there are significant weaknesses in the Plan, including differences in the requirements among the provincial regulations, and gaps in the measurement of the Plan's results, benefits and costs. These weaknesses underscore the complexities involved in managing a federal-provincial partnership and highlight the need for improved federal government accountability in this regard.
- Public awareness of ozone depletion is high, due in part to sustained educational efforts by federal departments. Recent surveys show that half of all Canadians do not adequately protect themselves during leisure activities. The potential health consequences and costs to the Canadian public should not be ignored.
- 27.8 Federal departments are substantial users of ODS. Departments we surveyed have implemented strategies to manage their ODS. But they have not met government commitments to lead by example. The federal government has failed to set direction and articulate its expectations for leadership and it has not assigned responsibility to any department for doing this. In effect, no department is in charge.
- 27.9 If proposed *CEPA* regulations for ODS management at federal facilities are implemented in their current form, and in the absence of any other directive from the federal government, gaps in direction will remain in areas such as phase-out target dates for all ODS applications, the management of stockpiles, ODS conversion to, or replacement with, environmentally acceptable alternatives, and the destruction of surplus ODS. We are also concerned that Environment Canada may lack the capacity to enforce the proposed regulations.

Chapter 27 – Main Points (cont'd)

27.10 Ozone layer protection programs in developed countries, including Canada, have lost momentum. Opportunities exist for the federal government to speed the recovery of the ozone layer. Environment Canada has demonstrated an awareness of many of these opportunities. But we believe it needs to set priorities among competing actions, based on sound science and a comparison of their relative costs and effectiveness in reducing risks. Canadian leadership is arguably needed now more than ever before.



Assistant Auditor General: Don Young Responsible Auditor: John McCullough

Fisheries and Oceans Canada

Pacific Salmon: Sustainability of the Resource Base

Chapter 28 – Main Points

- 28.1 Canada's ability to sustain the Pacific salmon resource at the present level and diversity is questionable given the various factors influencing salmon survival, many of which are beyond its control. While Fisheries and Oceans has built up major salmon stocks, others are declining and many are considered threatened. There is evidence that habitat loss is contributing to these declines. However, no overall status report on salmon habitat is available to assess the impact of habitat loss on the resource.
- **28.2** Fisheries and Oceans has a strong mandate in the *Fisheries Act* to protect salmon and their habitat. However, due to the division of environmental powers under the *Constitution Act*, the support and co-operation of the Province of British Columbia (B.C.) and municipalities are prerequisites for sustainability of the resource.
- 28.3 The Department's Habitat Policy (1986) promotes both sustainability and genetic diversity. The Policy balances proactive elements (land use planning, integrated resource management and development of guidelines) and reactive elements (project review/approval, compliance monitoring and enforcement). The Department has tended to focus more on the reactive elements, but without sufficient emphasis on monitoring and follow-up.
- 28.4 Habitat management requires improved co-ordination within the Department and the increased involvement of external groups, including provincial and municipal governments, stakeholders and the public, under agreements that include accountability provisions, where appropriate. The Department's overall responsibility for habitat requires clear accountability to maintain control of the process and depends especially on B.C. being held accountable for its own habitat responsibilities.
- 28.5 The opportunity now exists for Fisheries and Oceans to further develop and strengthen its relationship with the Province following the signing in April 1997 of the new Canada–B.C. Agreement on the Management of Pacific Salmon Fishery Issues. The Agreement is intended to revisit existing areas of intergovernmental co-ordination covered under the 1985 General Fisheries Agreement and to examine other areas for co-operation. B.C. has released a discussion paper in anticipation of future negotiations. The Department's position on habitat management is expected to be clarified to prepare it for these negotiations.



Assistant Auditor General: Richard Flageole Responsible Auditor: Harry A. Ruthnum

Industry Canada

Management of the Small Business Loans Program

Chapter 29 – Main Points

- 29.1 Small businesses play a very important role in our economy. In 1994, more than 98 percent of all businesses in Canada were small businesses with fewer than 50 employees. In 1995, small businesses contributed 43 percent of Canada's private sector economic output. However, the lack of financing on reasonable terms and conditions has often been identified as a significant barrier to the growth of small businesses.
- 29.2 The objective of the Small Business Loans Program is to increase the availability of loans for establishing, expanding, modernizing and improving small business enterprises. New lending under the Program will end on 31 March 1998 unless the government decides to renew it. This presents an opportunity to better define the results expected from the Program and to improve performance measurement. As part of the decision to renew the Program, it will be important to take into account the needs of small businesses in a changing Canadian economy and business environment. The dual objectives of increasing the availability of loans at reasonable rates while recovering all the costs need careful analysis.
- 29.3 The Small Business Loans Program will incur a net loss estimated at \$210 million for loans issued between 1993 and 1995. The Program is now moving toward full cost recovery; however, under the present fee structure and loss-sharing ratio, it is uncertain whether full cost recovery will be achieved. Careful monitoring and better systems to forecast the future performance of the Program are needed.
- 29.4 Industry Canada requires lenders to comply with the *Small Business Loans Act* and Regulations and to exercise due care when making loans. The Department needs to strengthen its claim audit procedures to obtain assurance of such compliance. It also needs to take steps to minimize the interest it is paying on claims submitted by lenders. The intent of the Act regarding lending to related borrowers requires clarification.
- 29.5 It is important that the Department provide Parliament with the information necessary to assess whether the Program is managed efficiently and is achieving its objectives. In addition, more rigor is needed in evaluating the Program's impact on job creation.



Assistant Auditor General: Ron Thompson Responsible Auditor: Crystal Pace

Office of the Superintendent of Financial Institutions — Insurance and Pensions

Chapter 30 – Main Points

- 30.1 Since 1987, when the Office of the Superintendent of Financial Institutions (OSFI) was established, the financial services industry has become much more integrated. The legislative framework has developed from a highly prescriptive system to one relying heavily on good corporate governance to ensure that depositors, policyholders and pension plan members are protected, without unduly restricting the competitive ability of Canadian financial institutions. Legislators have recognized that although regulation and supervision can reduce the risk that financial institutions will fail, some may fail nonetheless. OSFI has made significant progress in developing regulatory tools to meet its objectives, in response to the changing nature of the industry and the legislative framework. Although OSFI meets the needs of today's environment, it nevertheless needs to address important gaps that could affect its ability to meet its objectives in the future.
- 30.2 A key to success for OSFI is having the right people with the right competencies and using them effectively. OSFI has the basic human resource management systems in place and operating, and is moving forward on a variety of fronts. However, at this point it does not have some important information that it needs to estimate the degree to which activities planned or under way will help it achieve its objectives. It needs to have a more strategic approach to human resource management and a more rigorous analysis of issues to ensure that current and planned activities will help it meet its goals and objectives.
- 30.3 Overall, we found that OSFI is highly regarded by the insurance industry and by provincial and foreign regulators. It has developed some key aspects of its risk assessment and risk management framework standards for sound business and financial practices, and guides to intervention. However, they are not yet complete. We identified gaps in the implementation of the framework that could prevent OSFI from meeting its objectives in the future. For example, it needs to apply its risk ratings more rigorously; focus its life insurance examinations on key risks; and improve the integration of its analysts, examiners and actuaries. In addition, communication and co-ordination with regulated entities and other regulators need to be improved.
- 30.4 The supervision of pension plans at the federal level is in a state of transition. OSFI has recognized the need for a new regulatory framework that includes a new mandate focussed on protecting plan members, greater powers to intervene when plans are in difficulty, and formalized procedures for risk assessment. OSFI plans to establish a *Guide to Intervention* and *Standards for Sound Governance and Financial Practices* for pension plans.



Assistant Auditor General: Shahid Minto Responsible Auditor: Basia Ruta

Revenue Canada

The Financial Management Regime

Chapter 31 – Main Points

- 31.1 Revenue Canada's 40,000 employees dispersed across 800 offices collect about \$850 million and disburse some \$425 million on average each working day.
- 31.2 The sheer size of Revenue Canada, the importance of its contribution to sustaining other government programs and its high visibility to taxpayers require a strong commitment to effective financial management. In the aspects of financial management examined during our audit, we found some areas of strength and no areas of neglect. We also noted several areas in need of improvement. Revenue Canada has gone through a period of tremendous change, both organizational and legislative. It is now at a stage of maturity where it needs to give more attention and a higher priority to financial management.
- 31.3 The Department has been proactive at establishing corporate plans and strategic documents that are linked to government objectives and priorities. Management agreements are being used to help promote a common vision and strengthen managers' accountability.
- 31.4 Revenue Canada's performance in the prompt deposit of billions of dollars of payments it receives from taxpayers at its offices and ports is generally satisfactory. Our tests show that the vast majority of taxpayer remittances are deposited by the next business day. Still, opportunities exist to improve departmental performance in this area and generate several millions in potential interest revenue for the government each year.
- 31.5 Revenue Canada's practices in the monthly reporting of revenues require more rigour. Basic accounting systems in support of \$18 billion in annual deposits by Customs need to be modernized considerably.
- 31.6 Deficiencies exist in other formal systems and practices pertaining to key areas of financial management. Informal information systems, proxy measures or other mechanisms are being used in an effort to bridge those deficiencies. Some of the shortcomings have a multiplier effect on financial risks to the public purse, and impact on other federal-provincial programs whose benefits or credits are tied to information contained in Revenue Canada's systems. Departmental initiatives are either planned or under way to address some shortcomings.
- 31.7 We have significant ongoing concerns about the reliability of information meant for use in monitoring and analyzing program statistics, trends and performance. As Revenue Canada becomes increasingly reliant on using information in diverse ways to monitor and support its programs, there is a crucial need to clean and purify data to remove any inaccuracies and ensure that they are in an appropriate form for analysis.
- 31.8 Although responsibility for financial management is shared and decentralized among headquarters, program and regional operations, Revenue Canada does not review or co-ordinate systems and practices Department-wide. Nor has internal audit been used effectively to provide independent overall assurance on the state of financial management and control across the Department.



Assistant Auditor General: Shahid Minto Responsible Auditors: Scott Milne and Jim Ralston

Revenue Canada and Department of Finance

Understanding Changes in Tax Revenues: GST

Chapter 32 - Main Points

- 32.1 Chapter 31 of this Report highlights the importance of appropriate, sufficient and timely analyses to understand fluctuations in various revenue streams. Good analyses can improve the government's ability to identify errors, increase the government's awareness of new economic trends, enhance the credibility of the financial information reported to Parliament, and improve the accuracy of the government's forecasts of tax revenues, deficits and net borrowing needs. Good analysis of revenue movements also supports Revenue Canada's programs and initiatives to identify tax avoidance techniques being used by registrants or to note changes in registrant compliance.
- 32.2 In this chapter, we consider what would constitute an appropriate process for analyzing movements in revenue streams, the minimum extent to which the process should be followed, and the factors that hamper the attempts of Revenue Canada and the Department of Finance to understand changes in tax revenues. To do so we selected, as an example, the \$400 million decrease in net Goods and Services Tax (GST) that occurred from 1994–95 to 1995–96 (from \$16.8 billion to \$16.4 billion), and reviewed the departments' attempts to analyze it.
- 32.3 Both Revenue Canada and Finance are satisfied that the amount of effort they devoted to finding an explanation for the decrease in net GST was appropriate given the size of the decrease and the nature of the available information. However, no conclusive explanation for the decrease has been found.
- 32.4 We believe that Revenue Canada and Finance followed an appropriate analytical process to a certain extent. We believe, however, that the process needs to be followed more fully. As a minimum, the departments need to adjust for bookkeeping errors and distortions caused by the cash basis of accounting before assessing the extent to which further analyses are required. If the need for further analysis is revealed, the departments could consider additional factors related to changes in the economy and in registrant behaviour to obtain a more robust explanation of changes in GST revenue.
- 32.5 Although the departments made attempts at analyzing the decrease in GST revenue, problems with the reliability and timely accessibility of some of the data, as well as the lack of other data, inhibited their efforts. Ensuring the reliability and timeliness of the data, and making more use of available and reliable data, would improve the departments' ability to conduct timely analyses. Collecting additional information from some or all registrants could improve the departments' analytical capabilities. The government will need to maintain a balance between its need for more information for analysis and compliance purposes and the increased burden it places on registrants to provide the information and on Revenue Canada to capture and store it.
- 32.6 Revenue Canada could improve its analytical capability by ensuring that a sufficient, proactive, timely and co-ordinated effort is mounted by the various units within the Department to analyze GST revenue.



Assistant Auditor General: Maria Barrados Responsible Auditor: Robert W. Chen

The Correctional Investigator Canada

Chapter 33 – Main Points

- 33.1 The Office of the Correctional Investigator was first established in 1973 under the *Inquiry Act*, and formalized in 1992 under the *Corrections and Conditional Released Act* "to conduct investigations into the problems of offenders". Although it is a small agency, the Office plays a very important role in ensuring fairness for those inmates serving sentences in Canada's federal prisons. Its findings and recommendations can also help to improve systems and practices in Correctional Service Canada.
- 33.2 Over the years, the Office has accumulated a set of management practices. We found that while these practices are often helpful in resolving individual complaints, they are not conducive to efficient and consistent handling of cases and have contributed to the Office's adversarial relationship with Correctional Service.
- 33.3 The Office needs to improve its operational strategies and management practices to reflect changes that have occurred in the correctional environment and in legislation since 1973. The Office needs to prioritize its activities on an informed basis in order to effectively manage its workload. It needs to establish policies and procedures to help its staff in investigating individual complaints. It also needs to improve the quality of its management information systems and provide better performance information in its annual reports.
- 33.4 Given the important role of the Office, improvements in its management are needed so it can better fulfil its mandate within the Canadian criminal justice system.



Assistant Auditor General: Maria Barrados Responsible Auditor: Robert W. Chen

RCMP Public Complaints Commission

Chapter 34 - Main Points

- 34.1 The RCMP Public Complaints Commission is responsible for reviewing public complaints about the conduct of members of the RCMP. Although its budget is small (\$3.5 million), the Commission can, through its reviews, enhance the transparency of the complaint process and help the RCMP to improve its policing practices.
- 34.2 Although the Commission has articulated the need to develop and implement a communications strategy, it has yet to finalize its plan for informing Canadians about their right to request a review if they are not satisfied with the RCMP's disposition of their complaints.
- 34.3 The Commission's handling of complaint reviews and public hearings is slow. It needs to improve the way it works by streamlining the review process and providing appropriate training to Commission members who are responsible for conducting public hearings.
- 34.4 The Commission also needs to improve its performance measures. Although useful statistics are provided in its annual report, they are often incomplete or inconsistent. The Commission needs to renew its effort to provide a fuller picture that demonstrates both its contribution to the public complaints process and the overall effectiveness of that process.



Follow-up of Recommendations in Previous Reports

Chapter 35 – Main Points

- 35.1 Progress toward addressing our recommendations contained in previous reports is noted in each of the follow-up segments included in this chapter. However, in most cases, additional work is needed to deal with the recommendations satisfactorily. For example, Natural Resources Canada has taken steps in the right direction, such as the development of a policy framework for radioactive waste. However, much remains to be done to find long-term solutions for Canada's nuclear fuel waste, low-level radioactive wastes and uranium mine and mill tailings.
- 35.2 The following significant areas of concern remain:
 - Five years after noting our concerns, much remains to be done to ensure that Canada is prepared for major oil and chemical spill emergencies.
 - Parliament continues to need adequate information on the risks and clean-up costs of federal contaminated sites. While some progress has been made, environmental liabilities are likely quite substantial and could materially affect the government's reported financial condition.
 - The issues reported in this chapter and in Other Audit Observations, Chapter 36, regarding on-reserve facilities funded by Indian and Northern Affairs Canada, continue to raise concerns about the Department's cost effectiveness in addressing on-reserve needs. These concerns involve deficiencies in project planning, implementation, evaluation and related matters.
- 35.3 In some cases, downsizing has resulted in many changes to programs delivered by federal government departments and agencies. We have noted several delays in addressing our recommendations as a result of program changes.
- 35.4 In two cases included in this chapter, the departments concerned performed studies or reviews in response to our recommendations, but corrective action is yet to be implemented.
- 35.5 We encourage departments and agencies to continue addressing our concerns through further corrective action.

Other Audit Observations

Chapter 36 - Main Points

- 36.1 The Auditor General Act requires the Auditor General to include in his Reports matters of significance that, in his opinion, should be brought to the attention of the House of Commons.
- 36.2 The "Other Audit Observations" chapter fulfils a special role in the Reports. Other chapters normally describe the findings of the comprehensive audits we perform in particular departments; or they report on audits and studies of issues that relate to operations of the government as a whole. This chapter reports on specific matters that have come to our attention during our financial and compliance audits of the Public Accounts of Canada, Crown corporations and other entities, or during our value-for-money audits.
- 36.3 The chapter normally contains observations concerning departmental expenditures and/or revenues. The issues addressed generally involve failure to comply with authorities, and the expenditure of money without due regard to economy.
- 36.4 Observations reported this year cover the following:
 - information to Parliament on the use of "special measures" falls short of legislative requirements and Parliament's needs;
 - an initiative to provide spare parts failed to maximize its potential cost-saving benefits;
 - escalating costs of a water supply project were not adequately justified;
 - lack of compliance with a funding arrangement resulted in questionable costs;
 - an \$801 million payment raises concerns over accountability requirements;
 - the design and construction of a facility illustrates a "build [up] to budget" approach that does not encourage cost savings; and
 - departmental standards and practices were not followed in awarding a duty free shop licence.
- 36.5 Although the individual audit observations report matters of significance, they should not be used as a basis for drawing conclusions about matters we did not examine.



Deputy Auditor General: Michael J. McLaughlin Responsible Auditor: Gisèle Grandbois

Sustainable Development Strategy for the Office of the Auditor General

Chapter 37 – Main Points

- 37.1 This is the Office of the Auditor General's (OAG) first sustainable development strategy. It tells parliamentarians how we intend to integrate environmental and sustainable development considerations into our business as a legislative audit office, and how we will measure our success in doing so.
- 37.2 This Office has a long history of involvement in environmental and sustainable development issues. In particular, over the past decade it has been a leader in conducting audits related to the environment. The *Auditor General Act* was amended in December 1995 to formally incorporate environmental and sustainable development issues into our mandate. The Commissioner of the Environment and Sustainable Development was appointed by the Auditor General in 1996.
- 37.3 Our sustainable development strategy encompasses the three core dimensions of our activities: our audit operations, our day-to-day operations, and our human resources. The sustainable development goals for our audit work are to promote sustainable development by:
 - providing advice and information to parliamentarians and members of territorial legislative assemblies to help them consider the environmental and sustainable development consequences of their legislative and oversight work;
 - supporting federal and territorial organizations in their efforts to integrate environmental and sustainable development considerations into their decision making for policies, programs and operations;
 - providing a means for Canadians to draw environmental and sustainable development concerns to the attention of the Government of Canada.
- Another goal we have is to minimize the negative environmental impacts of our day-to-day operations. Finally, we wish to support activities that recognize our employees as our greatest assets in pursuing our sustainable development goals.
- 37.5 Our strategy is action- and results-oriented: for each of our sustainable development objectives, we have identified the specific actions we need to take and have developed performance indicators that will help us monitor our progress toward achieving our goals and objectives.
- 37.6 The most pressing environmental and sustainable development issues facing government today cut across departmental mandates and political jurisdictions. Auditing these horizontal and cross-jurisdictional issues represents a challenge of integration and co-ordination for our audit teams as well as an opportunity to broaden our perspective.
- 37.7 Departmental sustainable development strategies represent a very important new tool for federal organizations. In addition to monitoring their progress, we will help strengthen the capacity of these organizations to build better strategies and implement them. Similarly, the petition process will create a more direct link with Canadian citizens wishing to express their concerns about the environment and sustainable development.
- 37.8 Globally, we believe we can make a difference in the quality of Canada's environment, and in its prospects for sustainable development.



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La stratégie de développement durable du Bureau du vérificateur général



Sous-vérificateur général : Michael J. McLaughlin Vérificatrice responsable : Gisèle Grandbois

Chapitre 37 – Points saillants

- 37.1 Voici la première stratégie de développement durable du Bureau du vérificateur général (BVG). Elle vise à informer les parlementaires des façons dont le Bureau compte intégrer à ses activités de vérification les questions liées à l'environnement et au développement durable et évaluer ses résultats à cet égard.
- 37.2 Le Bureau s'intéresse depuis longtemps à l'environnement et au développement durable. Au cours de la dérnière décennie, il a joué un rôle de chef de file en réalisant des vérifications dans le domaine de l'environnement. La Loi sur le vérificateur général a été modifiée en décembre 1995 pour permettre l'intégration officielle à son mandat des questions d'environnement et de développement durable. Le premier commissaire à l'environnement et au développement durable a été nommé par le vérificateur général en 1996.
- 37.3 Notre stratégie de développement durable englobe les trois principales dimensions liées à nos activités, soit nos opérations de vérification, nos activités quotidiennes et nos ressources humaines. Les buts de développement durable associés à notre travail de vérification sont de promouvoir le développement durable en :
- fournissant des conseils et de l'information aux parlementaires et aux membres des assemblées législatives territoriales, afin de les aider à considérer les incidences de leurs travaux législatifs et de surveillance sur l'environnement et le développement durable;
- appuyant les organisations fédérales et territoriales dans leurs efforts d'intégration des questions
 d'environnement et de développement durable à leur processus de prise de décisions concernant leurs politiques, programmes et opérations;
- offrant aux Canadiens un moyen d'attirer l'attention du gouvernement du Canada sur leurs préoccupations en matière d'environnement et de développement durable.
- 37.4 Nous avons également comme but de réduire au minimum les effets négatifs de nos activités quotidiennes sur l'environnement. Finalement, nous voulons soutenir les activités qui montrent que nous considérons les employés comme notre atout le plus important dans la poursuite de nos buts de développement durable.
- 37.5 Notre stratégie est proactive et axée sur les résultats : pour chacun de nos objectifs en matière de développement durable, nous avons déterminé les actions précises à entreprendre et élaboré les indicateurs de rendement qui nous aideront à évaluer la mesure dans laquelle nous avons atteint nos buts et objectifs.
- 37.6 Les enjeux en matière d'environnement et de développement durable les plus pressants auxquels le gouvernement fait face aujourd'hui ressortissent aux mandats de plusieurs ministères et aux champs de compétences de plusieurs administrations. La vérification de ces enjeux représente pour les équipes de vérification un défi au chapitre de l'intégration et de la coordination, et nous fournit l'occasion d'élargir notre perspective.
- 37.7 Les stratégies de développement durable sont un nouvel outil important pour les organisations fédérales. En plus de surveiller les progrès de ces organisations, nous les aiderons à renforcer leur capacité d'élaborer de meilleures stratégies et de les mettre en oeuvre. De même, le processus de pétition créera un lien plus direct avec les citoyens canadiens qui désirent exprimer leurs préoccupations en matière d'environnement et de développement durable.
- 37.8 Globalement, nous pensons que nous pouvons faire une différence en contribuant à l'amélioration de la qualité de l'environnement et des perspectives de développement durable au Canada.

Autres observations de vérification



Chapitre 36 – Points saillants

- 36.1 La Loi sur le vérificateur général exige du vérificateur général qu'il inclue dans ses rapports les questions d'importance qui, à son avis, devraient être portées à l'attention de la Chambre des communes.
- 36.2 Le chapitre consacré aux « Autres observations de vérification » joue un rôle particulier dans les rapports. D'autres chapitres décrivent habituellement les constatations faites lors des vérifications intégrées que nous avons effectuées dans des ministères particuliers, ou bien ils donnent un compte rendu de vérifications et d'études qui portent sur des questions relatives aux activités du gouvernement dans son ensemble. Dans ce chapitre, nous faisons rapport sur des questions précises dont nous avons pris connaissance au cours de nos vérifications financières et de nos vérifications de conformité aux autorisations des Comptes du Canada, des états financiers des sociétés d'État et d'autres entités ou au cours de nos vérifications de l'optimisation des ressources.
- 36.3 Le chapitre renferme habituellement des observations qui se rapportent aux dépenses ou aux recettes des ministères. En général, les questions traitées portent sur la non-conformité aux autorisations ainsi que sur les dépenses de deniers sans souci de l'économie.
- 36.4 Cette année, nos observations portent sur les sujets suivants:
- l'information communiquée au Parlement sur le recours à des « mesures spéciales » ne répond ni aux exigences législatives, ni aux besoins du Parlement;
- une initiative pour la fourniture de pièces de rechange n'a pas réussi à optimiser des avantages économiques possibles;
- I'escalade des coûts d'un projet d'approvisionnement en eau n'a pas été justifiée de façon
 satisfaisante;
- préoccupations soulevées en rapport avec l'obligation de rendre compte d'un paiement de 801 millions de dollars;
- l'absence de conformité à une entente de financement donne lieu à des dépenses discutables;
- la conception et la construction d'une installation illustrent une méthode qui vise à « construire à la limite du budget » et qui ne favorise pas les économies;
- on a dérogé aux normes et pratiques ministérielles lors de l'octroi de l'agrément d'exploitation d'une boutique hors-taxes.
- 36.5 Même si les observations de vérification particulières signalent des questions importantes. le lecteur ne doit pas s'en servir pour tirer des conclusions sur des points que nous n'avons pas examinés.

Suivi des recommandations formulées dans des rapports antérieurs



Chapitre 35 - Points saillants

- 35.1 Le présent chapitre fait état, dans chacun des suivis inclus, des progrès réalisés à l'égard des recommandations que nous avions formulées dans des rapports antérieurs. Toutefois, dans la plupart des cas, il faut que d'autres mesures soient prises pour que des suites satisfaisantes aient été données à nos recommandations. Ainsi, Ressources naturelles Canada est dans la bonne voie, ayant pris des mesures tel l'établissement d'une politique-cadre régissant l'évacuation ou le stockage des déchets radioactifs. Toutefois, il reste beaucoup à faire pour trouver des solutions à long terme visant les déchets nucléaires, les déchets faiblement radioactifs ainsi que les résidus de mines et d'usines d'uranium produits au Canada.
- 35.2 Voici les secteurs importants qui continuent de nous préoccuper:
- Cinq ans après la communication de nos préoccupations, il reste beaucoup à faire pour que le Canada soit prêt à faire face aux situations d'urgence liées aux déversements importants d'hydrocarbures et de produits chimiques.
- Le Parlement a toujours besoin d'information adéquate sur les risques et les coûts d'assannssement liés aux lieux contaminés fédéraux. Même si des progrès ont été réalisés, les passifs environnementaux sont probablement très substantiels et pourraient influer de façon importante sur la situation financière déclarée du gouvernement.
- Les questions que signalent le présent chapitre ainsi que le chapitre 36, Autres observations de vérification, concernant les immobilisations des réserves financées par Affaires indiennes et du Nord Canada soulèvent toujours des préoccupations quant à la rentabilité des moyens qu'utilise du Ministère pour aborder les besoins de ces collectivités. Ces préoccupations portent sur des lacunes relevées dans la planification, la mise en oeuvre et l'évaluation des projets ainsi que dans des questions connexes.
- 35.3 Dans certains cas, la réduction des effectifs s'est traduite par de nombreux changements dans les programmes exécutés par les ministères et organismes fédéraux. Nous avons remarqué que ces changements avaient, dans plusieurs cas, retardé les mesures visant à donner suite à nos recommandations.
- 35.4 Dans deux cas dont le présent chapitre fait mention, les ministères concernés ont effectué des études ou des examens pour répondre à nos recommandations, mais ils n'ont pas encore mis en oeuvre les mesures correctives.
- 35.5 Nous encourageons les ministères et organismes à continuer à répondre à nos préoccupations en prenant d'autres mesures correctives.

Commission des plaintes du public contre la GRC



Vévificatrice générale adjointe : Maria Barrados Vévificateur responsable : Robert W. Chen

Chapitre 34 – Points saillants

34.1 La Commission des plaintes du public contre la Gendarmerie royale du Canada (GRC) est responsable de la révision des plaintes du public touchant la conduite de membres de la GRC. Même si elle dispose d'un petit budget (3,5 millions de dollars), la Commission peut, grâce à ses révisions, améliorer la transparence du processus des plaintes et aider la GRC à améliorer ses pratiques policières.

34.2 Même si la Commission a formulé la nécessité d'élaborer et de mettre en oeuvre une stratégie de communication, il lui reste à parachever son plan en vue d'informer les Canadiens de leur droit de demander une révision s'ils ne sont pas satisfaits de la façon dont la GRC a réglé leurs plaintes.

34.3 La Commission met du temps à réviser les plaintes et à tenir des audiences publiques. Elle doit améliorer sa façon de travailler en rationalisant le processus de révision et en offrant une formation appropriée aux membres de la Commission qui sont responsables de la tenue des audiences publiques.

34.4 La Commission doit aussi améliorer ses mesures du rendement. Même si les statistiques que la Commission fournit dans son rapport annuel sont utiles, elles sont souvent incomplètes ou contradictoires. La Commission doit redoubler ses efforts pour tracer un tableau plus complet de son rendement, qui prouve tant sa contribution au processus des plaintes du public que l'efficacité de ce processus.

L'Enquêteur correctionnel Canada



Vérificateur responsable : Robert W. Chen

Chapitre 33 - Points saillants

33.1 Le Bureau de l'Enquêteur correctionnel a été créé en 1973, en vertu de la Loi sur les enquêtes et institutionnalisé en 1992, en vertu de la Loi sur le système correctionnel et sur la mise en liberté sous condition afin de « mener des enquêtes sur les problèmes des délinquants ». Bien qu'il soit un organisme de taille modeste, le Bureau joue un rôle très important en veillant à ce que les détenus qui purgent une peine d'emprisonnement dans les prisons fédérales soient traités de manière équitable. Ses constatations et recommandations peuvent, par ailleurs, contribuer à l'amélioration des systèmes et pratiques du Service correctionnel Canada.

33.2 Au fil des ans, le Bureau a accumulé un ensemble de pratiques de gestion. Nous avons constaté qu'en dépit du fait que ces pratiques aident souvent à résoudre les plaintes individuelles, elles ne mènent pas à un traitement efficient et homogène des cas; en outre, elles ont contribué à l'émergence d'une relation antagoniste entre le Bureau et le Service correctionnel Canada.

53.3 Le Bureau se doit d'améliorer ses stratégies opérationnelles et ses pratiques de gestion pour refléter les changements qui sont survenus dans l'environnement correctionnel et dans la législation, depuis 1973. Il doit classer ses activités par ordre de priorités, en tenant compte de l'information dont il dispose, de façon à gérer efficacement son volume de travail. Il est nécessaire qu'il établisse des politiques et des procédés afin d'aider son personnel à enquêter sur des plaintes individuelles. Il doit également améliorer la qualité de ses systèmes d'information de gestion et fournit, dans ses rapports annuels, de meilleures données sur son rendement.

Etant donné le rôle important que joue le Bureau, des améliorations à sa gestion s'imposent pour qu'il soit mieux en mesure de s'acquitter de son mandat au sein du système de justice pénale du Canada.

Revenu Canada et le ministère des Finances

Comprendre les variations des recettes fiscales : la taxe sur les produits et services



Vėrificateur gėnėral adjoint : Statid Milne et Jim Ralston

Chapitre 32 - Points saillants

32.1 Le chapitre 31 du présent rapport souligne l'importance de suivre et d'analyser l'évolution des fluctuations dans les diverses catégories de recettes. Une bonne analyse peut permettre au gouvernement de mieux cerner les erreurs, de mieux se rendre compte des nouvelles tendances dans l'économie, de renforcer la crédibilité des renseignements financiers fournis au Parlement et d'améliorer l'exactitude de ses prévisions des recettes frascales, des déficits et des besoins d'emprunts nets. Une bonne analyse des mouvements de recettes peut également aider Revenu Canada dans la mise en oeuvre de ses programmes et de mesures diverses en vue de déceler les techniques d'évitement fiscal utilisées par les inscrits ou de relever les changements dans l'observation déceler les techniques d'évitement fiscal utilisées par les inscrits ou de relever les changements dans l'observation de la loi par ces derniers.

33.2 Dans le présent chapitre, nous examinons ce qui pourrait constituer un processus approprié d'analyse des fluctuations dans les diverses catégories de recettes, la mesure minimale dans laquelle ce processus devrait être suivi, et les obstacles qui s'opposent aux efforts de Revenu Canada et du ministère des Finances pour comprendre les changements survenus dans les recettes fiscales. À cette fin, nous avons choisi, à titre d'exemple, la baisse de 400 millions de dollars des recettes nettes de la taxe sur les produits et services (TPS) qui s'est produite de 1994—1995 à 1995—1996 (de 16,8 milliards de dollars à 16,4 milliards de dollars), et nous avons examiné les efforts déployés par les ministères pour analyser cette baisse.

32.3 Revenu Canada et le ministère des Finances estiment que les efforts qu'ils ont faits pour trouver une explication à la baisse des recettes nettes de la TPS étaient adaptés aux circonstances, vu le montant de la baisse et la nature des renseignements disponibles. Cependant, aucune explication concluante de cette baisse n'a été avancée.

32.4 Nous pensons que le processus suivi par Revenu Canada et par le ministère des Finances était dans l'ensemble approprié. Cependant, nous estimons que le processus devrait être suivi plus complètement. Les ministères devraient à tout le moins faire des redressements pour corriger les erreurs de tenue de livres et les distorsions occasionnées par la comptabilité de caisse avant d'évaluer dans quelle mesure il faut procéder à des analyses plus poussées. Si d'autres analyses se révèlent nécessaires, les ministères pourraient prendre en compte des facteurs supplémentaires qui ont trait aux changements dans la situation économique et dans le comportement des inscrits pour obtenir une explication plus solide des fluctuations dans les recettes de la TPS.

32.5 Quoique les ministères aient tenté d'analyser la baisse de revenus de la TPS, des problèmes liés à la fiabilité de certaines données et à l'accès à celles-ci en temps opportun, ainsi que l'absence d'autres données, ont nui à leurs efforts. Les ministères pourraient améliorer leur capacité d'effectuer des analyses plus opportunes en veillant à la fiabilité et à l'actualité des données. Ils pourraient améliorer leur capacité d'analyse en recueillant des renseignements sur la totalité ou une partie des inscrits. Le gouvernement devra maintenir l'équilibre entre ses besoins de renseignements à des fins d'analyse et de vérification de conformité, et le fardeau l'équilibre entre ses besoins de renseignements à des fins d'analyse et de vérification de conformité, et le fardeau l'équilibre entre ses besoins de renseignements à des fins d'analyse et de vérification de conformité, et le fardeau l'équilibre entre ses besoins de renseignements à des fins d'analyse et de vérification de conformité, et le fardeau l'il fait peser sur les inscrits chargés de fournir l'information ainsi que sur Revenu Canada qui doit la saisir et l'archiver.

32.6 Revenu Canada pourrait améliorer sa capacité d'analyse en s'assurant que les divers services du Ministère fassent un effort proactif, opportun et coordonné en vue d'analyser les recettes de la TPS.

Chapitre 31 - Points saillants (suite)

31.8 La responsabilité en matière de gestion financière est décentralisée et partagée entre l'Administration centrale, les gestionnaires des programmes et les services régionaux, mais Revenu Canada ne revoit pas ni ne coordonne les systèmes et les pratiques dans l'ensemble de ses services. Le Ministère n'a pas non plus employé efficacement la vérification interne pour obtenir une assurance indépendante et globale du bon état de la gestion et du contrôle financiers dans tous ses services.

Revenu Canada

Le régime de gestion financière



Vérificateur général adjoint : Shahid Minto Vérificatrice responsable : Basia Ruta

Chapitre 31 - Points saillants

31.1 En moyenne, chaque jour ouvrable, les 40 000 employés de Revenu Canada, répartis entre 800 bureaux, perçoivent environ 850 millions de dollars et déboursent à peu près 425 millions de dollars.

31.2 La taille gigantesque de Revenu Canada, son important rôle de soutien pour les autres programmes de l'État et sa grande visibilité pour les contribuables rendent indispensable de sa part une volonté ferme de pratiquer une gestion financière efficace. Dans les aspects de la gestion financière examinés au cours de notre vérification, nous avons trouvé certains points forts et n'avons trouvé aucun point négligé. Nous avons également relevé plusieurs points qui demandent des améliorations. Revenu Canada a traversé une période d'énormes transformations, tant du point de vue de son organisation que des dispositions législatives qui le régissent. Il est maintenant parvenu à un stade de maturité où il doit se soucier davantage de la gestion financière et attribuer à celle-ci une cote de priorité plus élevée.

31.3 Le Ministère s'est montré proactif dans l'établissement de plans directeurs et d'autres documents stratégiques conçus en fonction des objectifs et des priorités du gouvernement. Il a conclu des conventions de gestion afin d'aider à promouvoir une vision commune et d'accentuer la responsabilisation des gestionnaires.

S1.4 Revenu Canada a généralement un rendement satisfaisant pour ce qui est de la rapidité avec laquelle il dépose les milliards de dollars qu'il reçoit des contribuables dans ses bureaux de douane et autres bureaux. Nos sondages montrent que la vaste majorité des versements reçus des contribuables sont déposés le jour ouvrable suivant. Néanmoins, le Ministère pourrait améliorer son rendement sur ce point et ajouter ainsi plusieurs millions de dollars en revenus potentiels d'intérêt pour l'État chaque année.

31.5 Les pratiques de Revenu Canada en matière de rapports mensuels sur les recettes doivent devenir plus rigoureuses. Les systèmes comptables de base, utilisés pour les 18 milliards de dollars que déposent chaque année les services des douanes, nécessitent une modernisation considérable.

31.6 D'autres pratiques et systèmes reconnus, qui se rapportent à des secteurs clés de la gestion financière, présentent des lacunes. Le Ministère emploie des systèmes d'information officieux, des mesures de substitution et d'autres mécanismes dans un effort visant à combler ces lacunes. Certains défauts ont un effet multiplicateur sur les risques financiers pour les deniers publics et ont des répercussions sur d'autres programmes fédéraux-provinciaux dont les prestations ou les crédits dépendent de renseignements contenus dans les systèmes de Revenu Canada. Le Ministère planifie ou applique actuellement des mesures en vue de corriger certains de ces défauts.

31.7 Nous nous préoccupons toujours beaucoup de la fiabilité des renseignements destinés à servir au contrôle et à l'analyse des statistiques, des tendances et du rendement des programmes. Puisque Revenu Canada, pour surveiller et appuyer ses programmes, compte de plus en plus sur l'utilisation des renseignements de diverses façons, il devient très important d'assainir les données afin d'en soustraire les inexactitudes et de s'assurer qu'elles prennent une forme qui permet l'analyse.

Bureau du surintendant des institutions financières — Les assurances et les pensions



Vérificateur général adjoint : Ron Thompson Vérificatrice responsable : Crystal Pace

Chapitre 30 – Points saillants

30.1 Depuis la création du Bureau du surintendant des institutions financières (BSIF), en 1987, le secteur des services financières est devenu beaucoup plus intégré. Le cadre législatif, très normatif au départ, est devenu un système largement fondé sur une bonne régie d'entreprise. On a ainsi voulu assurer la protection des déposants, des souscripteurs et des participants de régimes de retraite, sans limiter indûment la capacité concurrentielle des institutions financières canadiennes. Même si la réglementation et la surveillance peuvent réduire les risques de faillite d'institutions financières, a constaté le législateur, certaines d'entre elles feront néanmoins faillite. Le BSIF a fail des progrès importants dans la mise au point d'instruments de réglementation qui correspondent à ses objectifs, s'adaptant ainsi à l'évolution du secteur et du cadre législatif. Ce Bureau répond aux besoins dans le contexte actuel. Il doit néanmoins combler certaines lacunes importantes qui pourraient le rendre moins capable de réaliser ses objectifs à l'avenir.

30.2 Pour réussir, le BSIF doit, entre autres, pouvoir recruter et utiliser efficacement des personnes compétentes. Il s'est doté de systèmes de base fonctionnels en matière de gestion des ressources humaines et il mène des activités sur divers fronts. Cependant, il ne dispose pas encore de certains renseignements importants qui lui sont nécessaires pour déterminer dans quelle mesure les activités planifiées ou en cours favoriseront la réalisation de ses objectifs. Il doit donc envisager la gestion des ressources humaines de façon plus stratégique et effectuer une analyse plus rigoureuse des problèmes pour garantir que les activités actuelles et prévues contribuent à la réalisation de ses buts et objectifs.

30.3 Nous avons constaté que, dans l'ensemble, le BSIF est très bien perçu par le secteur de l'assurance et par les organismes de réglementation provinciaux et étrangers. Ce Bureau a mis au point certains éléments clés de son cadre d'évaluation et de gestion des risques — un code de saines pratiques administratives et financières et des guides d'intervention. Cependant, le travail n'est pas encore terminé. Nous avons relevé certaines lacunes d'application du cadre susmentionné qui pourraient empêcher le BSIF de réaliser ses objectifs à l'avenir. Par exemple, ce Bureau doit appliquer ses cotations des risques de façon plus rigoureuse; il doit faire porter ses inspecteurs et des actuaires. De plus, il y a lieu d'améliorer la communication et la coordination avec les entités assurance-vie sur les risques critiques; et il doit améliorer l'intégration des analystes, des inspecteurs et des actuaires. De plus, il y a lieu d'améliorer la communication et la coordination avec les entités assurjetties à la réglementation et les autres organismes de réglementation.

30.4 Le domaine de la surveillance des régimes de retraite relevant du gouvernement fédéral est en voie de transition. Le BSIF a constaté la nécessité d'un nouveau cadre de réglementation englobant notamment un nouveau mandat axé sur la protection des participants des régimes, des pouvoirs accrus d'intervention par rapport à tout régime en difficulté et une procédure établie en matière d'évaluation des risques. Le BSIF prévoit publier un Guide d'intervention et un Code de saines pratiques administratives et financières à utiliser pour les régimes de retraite.

Industrie Canada

La gestion du programme de prêts aux petites entreprises



Vérificateur général adjoint: Richard Flageole Vérificateur responsable: Harry A. Ruthnum

Chapitre 29 – Points saillants

Les petites entreprises jouent un rôle très important dans notre économie. En 1994, plus de 98 p. 100 de toutes les entreprises du Canada étaient de petites entreprises ayant moins de 50 employés. En 1995, les petites entreprises ont apporté une contribution de 43 p. 100 à la production économique du secteur privé du Canada. En revanche, l'absence de financement à des conditions raisonnables a souvent été dénoncée comme un obstacle de taille à la croissance des petites entreprises.

Dojet du programme de prêts aux petites entreprises (le Programme) est d'accroître l'accès aux prêts en vue de l'établissement, de l'agrandissement, de la modernisation et de l'amélioration des petites entreprises.

L'octroi de nouveaux prêts en vertu du Programme prendra fin le 31 mars 1998, à moins que le gouvernement ne décide de reconduire ce dernier. Ainsi se présente l'occasion de mieux définir les résultats escomptés du Programme et d'améliorer la mesure du rendement. Aux fins de la décision qui devra être prise au regard du Programme et d'améliorer la mesure du rendement. Aux fins de la décision qui devra être prise au regard du renouvellement du Programme, il importera de tenir compte des besoins des petites entreprises dans une économie canadienne et un contexte des affaires en mutation. Le double objet d'accroître l'accès aux prêts à des taux raisonnables et de recouvrer simultanément tous les coûts nécessite une analyse attentive.

29.3 Le Programme de prêts aux petites entreprises subira une perte nette estimative de 210 millions de dollars pour les prêts consentis entre 1993 et 1995. Le Programme s'est engagé désormais dans la voie du recouvrement intégral des coûts, mais compte tenu du barème actuel des frais et du ratio de partage des pertes, il n'est pas sûr que l'objectif de recouvrement intégral des coûts puisse être atteint. Une surveillance attentive et de meilleurs systèmes de prévision du rendement futur du Programme s'imposent.

Industrie Canada exige que les prêteurs se conforment aux dispositions de la Loi sur les prêts aux perites entreprises ainsi qu'à son règlement d'application, et respectent le principe de prudence et de diligence lorsqu'ils accordent des prêts. Le Ministère doit resserrer ses procédures de vérification des demandes d'indemnisation afin de s'assurer que ce principe est respecté. Il doit également prendre des mesures afin de réduire au minimum l'intérêt qu'il verse sur les indemnisations demandées par les prêteurs. La portée de la Loi en ce qui a trait aux prêts à des emprunteurs liés nécessite des éclaircissements.

29.5 Il importe que le Ministère communique au Parlement l'information dont celui-ci a besoin pour déterminer si le Programme est géré avec efficience et atteint ses objectifs. Il faut aussi plus de rigueur dans l'évaluation de l'incidence du Programme sur la création d'emplois.

Pêches et Océans Canada

Le saumon du Pacifique : la durabilité de la ressource



Vérificateur général adjoint : Don Young Vérificateur responsable : John McCullough

Chapitre 28 - Points saillants

La capacité du Canada de maintenir le niveau actuel et la diversité du saumon du Pacifique est douteuse, compte tenu des divers facteurs qui influencent la survie du saumon et qui, pour une bonne part, sont hors de son contrôle. Pêches et Océans Canada a rétabli d'importants stocks de saumon, mais d'autres déclinent et un bon nombre d'entre eux sont considérés comme menacés. Des signes indiquent que la perte d'habitats du saumon contribue à ce déclin. Cependant, on ne dispose d'aucun rapport global sur la situation de l'habitat des salmonidés qui permettrait d'évaluer les répercussions de la perte d'habitats sur la ressource.

La Loi sur les pêches donne à Pêches et Océans Canada le mandat très clair de protéger le saumon et son habitat. Cependant, en raison de la division des pouvoirs conférés par la Loi constitutionnelle concernant l'appui et la collaboration de la province de la Colombie-Britannique et des administrations municipales sont des conditions préalables pour assurer la durabilité de la ressource.

28.3 La Politique de gestion de l'habitat du poisson, telle qu'énoncée par le Ministère en 1986, favorise la durabilité et la diversité génétique. La Politique établit l'équilibre entre les éléments proactifs (planification de l'utilisation des terres, gestion intégrée de la ressource et préparation de lignes directrices) et les éléments réactifs (examen et approbation des projets, contrôle de la conformité et application des règlements). Le Ministère a eu tendance à se concentrer davantage sur les éléments réactifs, sans mettre toutefois un accent suffisant sur le contrôle et le suivi.

La gestion de l'habitat exige une amélioration de la coordination au sein du Ministère et la participation accrue de groupes de l'extérieur, y compris les administrations provinciales et municipales, les parties intéressées et le public, dans le cadre d'accords qui comprennent, s'il y a lieu, des dispositions favorisant la responsabilisation. La responsabilité générale du Ministère envers l'habitat non seulement exige une responsabilisation de la Colombie-Britannique envers aon habitat.

Pêches et Océans Canada a maintenant l'occasion de développer et de renforcer davantage ses rapports avec la province de la Colombie-Britannique par suite de la signature, en avril 1997, de la nouvelle Entente entre le Canada et la Colombie-Britannique sur des questions de gestion du saumon du Pacifique. L'Entente réévalue certains domaines de coordination intergouvernementale prévus dans l'Entente générale sur les pêches de 1985, et prévoit l'examen d'autres possibilités de collaboration. La Colombie-Britannique a publié un document de travail axé sur de futures négociations. On s'attend à ce que la position du Ministère au sujet de la gestion de l'habitat soit clarifiée en préparation de ces négociations.

Chapitre 27 - Points saillants (suite)

27.9 Si les règlements sur la gestion des SACO dans les installations fédérales, proposés en vertu de la Loi canadienne sur la protection de l'environnement, sont adoptés dans leur forme actuelle et en l'absence de toute autre directive du gouvernement fédéral, il demeurera des lacunes dans l'orientation générale, par exemple concernant les dates cibles d'élimination de toutes les applications des substances destructrices, la gestion des réserves, la transformation de ces substances en produits respectueux de l'environnement, sinon leur remplacement, et la destruction des stocks excédentaires. Nous craignons par ailleurs qu'Environnement Canada n'ait pas la capacité d'appliquer les règlements proposés.

27.10 Dans les pays développés, dont le Canada, les programmes de protection de la couche d'ozone sont en perte de vitesse. Il existe pourtant pour le gouvernement fédéral des possibilités d'accélérer le rétablissement de la couche d'ozone. Environnement Canada a montré qu'il est conscient de bon nombre de ces possibilités. Mais nous croyons qu'il doit établir l'ordre de priorité de mesures concurrentes, en se fondant sur des éléments scientifiques solides et en comparant les coûts de ces mesures et leur efficacité pour réduire les risques. On peut soutenir que le leadership du Canada est plus nécessaire maintenant que jamais.

Protection de la couche d'ozone : le parcours inachevé



Le commissaire à l'environnement et au développement durable : Brian Emmett Vérificateur responsable : Wayne Cluskey

Chapitre 27 - Points saillants

En raison de sa situation nordique, le Canada est l'un des pays particulièrement vulnérables aux effets de l'appauvrissement de la couche d'ozone. Considéré comme l'un des problèmes les plus graves de l'environnement mondial à se poser à l'humanité, l'amincissement de la couche d'ozone présente de sérieuses menaces pour la santé humaine et les écosystèmes.

27.2 Le problème n'est pas résolu. La couche d'ozone devrait mettre encore au moins 50 ans à se rétablir tout à fait, en supposant toutefois l'application complète du Protocole de Montréal. Ce traité international, signé par plus de 160 pays, vise à éliminer les « substances appauvrissant la couche d'ozone » (SACO).

27.3 Selon les données recueillies par Environnement Canada, le Canada a respecté, ou plus que respecté, ses obligations annuelles sous le régime du Protocole de Montréal depuis l'entrée en vigueur de celui-ci. En outre, le Canada a aidé les pays en développement dans leurs efforts pour éliminer les SACO. Des fonctionnaires des gouvernements étrangers et des spécialistes estiment que le pays a joué un rôle déterminant tant dans la première élaboration du Protocole que dans son évolution.

L'application des règlements fédéraux sur les SACO, adoptés en vertu de la Loi canadienne sur la protection de l'environnement (LCPE), doit être efficace si l'on veut assurer que le pays respecte ses engagements d'éliminer progressivement les substances concernées et fournisse des renseignements fiables s'y rapportant, d'une part, et refréner le commerce illicite de ces substances, d'autre part. Nous avons observé plusieurs faiblesses dans la fonction globale d'inspection qui incombe à Environnement Canada en vertu de la Loi et nous croyons qu'elle ne suffit pas à en assurer le respect.

27.5 En mettant en oeuvre le Plan d'action national de 1992, le Canada a été l'un des premiers pays à mettre en place un régime national de récupération et de recyclage des chlorofluorocarbures (CFC) en vue de réduire les émissions de SACO dans l'atmosphère. Plusieurs des tâches définies dans ce plan fédéral-provincial ont été accomplies, y compris la mise en application de règlements dans neuf des dix provinces et la formation de plus de 75 000 techniciens de service.

77.6 Toutefois, le Plan laisse apparaître des faiblesses importantes, notamment des différences entre les règlements provinciaux et des lacunes dans la mesure des résultats, des avantages et des coûts du Plan. Ces faiblesses soulignent le caractère complexe de la gestion d'un partenariat fédéral-provincial et font ressortir le besoin de mieux responsabiliser le gouvernement fédéral à cet égard.

27.7 Si le public est aujourd'hui beaucoup plus conscient de l'appauvrissement de la couche d'ozone, c'est en partie en raison des efforts soutenus d'éducation par les ministères fédéraux. Des sondages récents montrent pourrant que la moitié des Canadiens ne se protègent pas correctement durant leurs loisirs. Il ne faudrait pas fermer les yeux sur ce qu'il pourrait leur en coûter tant sur le plan financier que sur le plan de la santé.

Les ministères fédéraux sont de grands utilisateurs des substances destructrices de la couche d'ozone. Ceux qui ont fait l'objet de notre vérification ont appliqué des stratégies pour gérer de telles substances. Mais ils n'ont pas tenu les engagements du gouvernement de prêcher d'exemple. Le gouvernement fédéral a omis d'établir une orientation et de préciser ses attentes en matière de leadership et n'en a pas confié la responsabilité à un ministère. En fait, aucun ministère n'assume la direction.

Conseil canadien des relations du travail



Vérificateur général adjoint : David Rattray Vérificateur responsable : Alan Gilmore

Chapitre 26 - Points saillants

Dans le chapitre de notre rapport de mai 1995 sur la sensibilisation à l'éthique au gouvernement fédéral, nous avons proposé que le principe directeur pour les titulaires de charge publique soit que « la fonction publique est un bien public ». L'objet du Code régissant la conduite des titulaires de charge publique en ce qui concerne les conflitts d'intérêts et l'après-mandat est d' « accroître la confiance du public dans l'intégrité des titulaires de charge publique et dans le processus de prise de décisions du gouvernement ». Nous avons convenu des principes génériaux du Code. Nous avons jugé être d'une pertinence particulière pour notre vérification le principes selon lequel « [Le titulaire d'une charge publique]... doit exercet ses fonctions officielles et organiser ses affaires personnelles d'une manière si irréprochable qu'il puisse résister à l'examen public le plus minutieux; pour s'acquitter de cette obligation, il ne lui suffit pas simplement d'observer la loi ».

26.2 Nous avons constaté que certaines pratiques financières du Conseil canadien des relations du travail graves problèmes d'organisation et de rendement découlant en grande partie d'un conflit incessant entre le président et les vice-présidents au sujet du contrôle du travail du Conseil.

26.3 Ce conflit a contribué à miner les contrôles des finances et de la gestion pour le traitement et la mise au rôle des affaires, et en ce qui a trait aux dépenses de voyage. Des dispositions législatives, qui n'ont pas été adoptées au Sénat avant la dissolution du Parlement en avril 1997, auraient donné au président le pouvoir d'assurer la direction et le contrôle des activités du Conseil.

Après I'èchéance de leur mandat, d'anciens membres du Conseil continuent de participer aux audiences portant sur les affaires dont ils s'occupaient avant de quitter le Conseil. Il faut cependant souligner qu'il n'existe pas d'échéance claire pour la fin des audiences et la rédaction des décisions. La rentabilité de ce type de nomination d'anciens membres pour une période illimitée est discutable. Au cours de la période allant d'avril 1989 à mars 1997, environ 1,7 million de dollars ont été versés à d'anciens membres du Conseil pour qu'ils continuent d'entendre des affaires. Il s'agit d'un montant équivalent au traitement d'environ 14 membres du Conseil à plein temps pendant un an. À la fin de leur mandat, on a versé à d'anciens membres du Conseil un montant total d'environ 595 000 \$ en indemnités de départ et pour des congés annuels inutilisés.

Joseph Jusqu'à leur révision en janvier 1997, certaines des politiques du CCRT sur le remboursement des frais de voyage pour l'hébergement, les repas et les faux frais n'étaient pas raisonnables ou conformes aux autorisations législatives. Nous avons également conclu que le profil des dépenses du président pour les voyages et l'accueil n'est pas raisonnable.

Mous faisons des recommandations pour que soient résolus les problèmes relatifs à la gestion et au contrôle financier au Conseil canadien des relations du travail, de même que les problèmes systémiques touchant les personnes nommées par le gouverneur en conseil. Nous soulignons aussi des problèmes qui, à notre avis, doivent être signalés dès maintenant au Parlement.

Citoyenneté et Immigration Canada et la Commission de l'immigration et du statut de réfugié

Le traitement des revendications du statut de réfugié



Vérificateur général adjoint : Richard Flageole Vérificateur responsable : Serge Gaudet

Chapitre 25 – Points saillants

En signant la Convention de 1951 des Nations Unies relative au statut des réfugiés et le Protocole de 1967 s'y rapportant, le Canada s'engageait à protéger les réfugiés. Le processus de traitement des revendications au Canada fonctionne dans un contexte caractérisé par des mouvements migratoires intenses et complexes. De plus, des procédures officielles doivent être suivies et on doit tenir compte des exigences juridiques de façon à garantir que les dispositions de la Loi sur l'immigration ainsi que celles de la Charte canadienne des droits et libertés soient respectées.

25.2 À la fin de 1988, l'arriéré de traitement se chiffrait à quelque 85 000 revendications. Le système ne suffisait plus à la tâche et il fallait donc modifier radicalement la façon de faire les choses. Une nouvelle structure et un processus totalement révisé pour le traitement des revendications avaient alors été mis en place en 1989. Les attentes étaient claires — on visait le règlement rapide, équitable et efficace des revendications et le renvoi des revendicateurs non reconnus.

25.3 Nous constatons toutefois que Citoyenneté et Immigration Canada (CIC) et la Commission de l'immigration et du statut de réfugié (CISR) éprouvent toujours de sérieuses difficultés à traiter les revendications de façon rapide et efficace. Nous nous inquiétons notamment des volumes de cas en arriéré, des longs délais de traitement, et des difficultés à effectuer les renvois. Nous présentons des recommandations qui visent à améliorer les résultats aux différentes étapes du processus.

25.4 Les agents d'immigration décident de la recevabilité d'une revendication sans avoir toute l'information nécessaire. Par ailleurs, l'information recueillie lors de la réception de la revendication ne répond pas adéquatement aux autres étapes du processus.

Le fort taux de roulement des commissaires et la courte durée de leur mandat affectent l'atteinte des objectifs opérationnels de la CISR. De plus, des manques de rigueur dans l'application de certaines pratiques ralentissent le processus. Des efforts ont été déployés par la CISR d'améliorer son climat organisationnel. ces derniers dépendra en partie de la capacité de la CISR d'améliorer son climat organisationnel.

25.6 CIC arrive difficilement à régler les cas de revendicateurs non reconnus de façon rapide et efficace. L'évaluation des risques de retour comporte des ambiguirés qui suscitent des questions sur son fondement. Nous avons également constaté que l'évaluation des considérations humanitaires invoquées par les revendicateurs non reconnus manque de rigueur. CIC éprouve en outre de sérieuses difficultés à mettre en oeuvre les mesures de renvoi.

Les questions liées aux réfugiés sont complexes. Une révision majeure du processus — y compris les rôles et les responsabilités des divers intervenants ainsi que l'infrastructure de coordination et de contrôle — s'avère nécessaire. Il faudra toutefois préciser des attentes réalistes quant à la rapidité et à l'efficacité du traitement des revendications.

Agriculture et Agroalimentaire Canada

Administration du rétablissement agricole des Prairies



Vérificaleur 8énéral adjoint : Don Young Vérificaleur responsable : Neil Maxwell

Chapitre 24 - Points saillants

Autours des six dernières décennies, l'Administration du rétablissement agricole des Prairies (ARAP), une direction générale d'Agriculture et Agroalimentaire Canada, a adapté son rôle à l'évolution des besoins en matière de récupération des terres, de développement de sources d'approvisionnement en eau et de développement durable dans les régions rurales des Prairies. Grâce à une bonne connaissance du milieu, tel le risque d'inondation au Manitoba, et à son réseau de bureaux établis dans toutes les régions de l'Ouest canadien, l'Administration a été en mesure de collaborer avec les provinces, les producteurs et les entreprises communautaires.

24.2 Même si elle a su s'adapter à l'évolution des besoins dans les Prairies, la Direction générale doit clarifier son orientation stratégique et ordonner ses priorités de manière à assurer le lien entre le Plan d'activités, la planification des opérations, la prise de décisions, la planification financière et les résultats escomptés.

Dans l'esprit de la transition du Ministère vers une gestion axée sur les résultats, la Direction générale a entrepris d'élaborer une approche de la planification et de la mise en oeuvre des programmes et des ententes de développement rural auxquels elle participe, approche qui soit orientée vers les résultats et ciblée. Il importe toutefois qu'elle accélère les efforts de mise au point de mécanismes visant à définir et à catégoriser les besoins régionaux ainsi qu'à en évaluer les coûts et les priorités dans le cadre de son mandat.

24.4 Les rapports de collaboration qu'entretient l'organisation avec un vaste réseau de partenaires, partout dans les Prairies, lui ont été précieux. Dans un même temps, la Direction générale a l'occasion de jouer, en collaborant avec d'autres paliers de gouvernement, un rôle de catalyseur et d'initiateur pour combler les lacunes de la mise en oeuvre de programmes qui ont trait à la qualité, à l'inventaire et à l'approvisionnement en eau.

24.5 Un effectif de 698 équivalents temps plein environ est affecté à la mise en oeuvre des programmes de l'Administration du rétablissement agricole des Prairies, à partir de 30 bureaux, au coût d'environ 70 millions de dollars par année. Bien que la Direction générale ait pris un certain nombre d'initiatives en matière de réduction et d'évitement des coûts, elle continue d'administrer les programmes et de planifier les activités futures sans réévaluer les besoins des niveaux de ressources actuels.

24.6 L'Administration a appliqué des mesures de recouvrement des coûts à des services d'une valeur d'environ dix millions de dollars, mais il lui est possible d'étendre ses initiatives en la matière. Les coûts qui font présentement l'objet d'un recouvrement manquent de cohérence. Nous nous inquiétons du fait que le coût collectif de certaines activités pourrait être disproportionné par rapport à l'avantage collectif qu'on en retire.

Les systèmes en développement — Prendre la situation en main



Vérificateur général adjoint : Doug Timmins Vérificateur responsable : Eric Anttila

Chapitre 23 - Points saillants

L3.1 Le gouvernement a entrepris la mise au point de plusieurs nouveaux systèmes d'information en vue de répondre aux besoins apparents des contribuables et de réduire ses dépenses. Dans le cadre de la présente vérification, nous avons examiné trois projets que des ministères géraient eux-mêmes. Nous avons constaté qu'ils présentaient beaucoup de risques semblables à ceux des projets exécutés à contrat : reporter le délai; dépasser le budget; et ne pas combler les besoins des usagers.

23.2. Par comparaison aux projets exécutés à contrat, les projets menés à l'interne étaient davantage axés sur les objectifs opérationnels des ministères et divisés en composantes plus faciles à gérer. En outre, la haute direction était plus engagée, les communications, plus efficaces, et les compétences et l'expérience du personnel, mieux utilisées.

Les responsables de deux des trois projets gérés à l'interne qui servent directement les Canadiens doivent avoir une meilleure connaissance des clients et de leurs besoins.

23.4 Les disciplines de la planification, de la surveillance et de l'assurance de la qualité réduisent les risques liés à la complexité opérationnelle et technique de projets exécutés à contrat et de projets gérés à l'interne. Cependant, les trois projets que nous avons examinés comportaient des lacunes dans ces secteurs.

23.5 Le manque de comptabilisation et de suivi des coûts réels des projets nous préoccupe beaucoup, et nous en avons déjà fait mention dans d'autres rapports. Sans suivi, les projets peuvent durer plus longtemps, coûter plus cher et produire moins que prévu. Même si nous avons pu obtenir des estimations raisonnablement exhaustives pour un projet, nous n'avons reçu les coûts réels précis pour aucun des projets. Nous estimons que chacun des trois projets examinés coûtera entre 50 millions et 100 millions de dollars aux contribuables.

Les sociétés d'État — Appliquer la mesure du rendement



Vérificateur général adjoint : John Wiersema Vérificateurs responsables : Pierre Serré et Grant Wilson

Chapitre 22 - Points saillants

- 22.1 La direction et les conseils d'administration des sociétés d'État, ainsi que le gouvernement et le Parlement, ont besoin d'information sur le rendement pour déterminer jusqu'à quel point les sociétés d'État sont arrivées aux résultats escomptés. La mesure du rendement est au coeur d'une saine gestion et aide à répondre aux exigences redditionnelles.
- 22.2 Certaines sociétés d'État sont plus avancées que d'autres dans l'élaboration des indicateurs de rendement, mais le processus est en cours partout. L'expérience des sociétés, qui sont passées de la théorie à la pratique, sera sans doute utile à celles qui désirent des balises pour ce travail. À notre avis, l'utilisation, par les sociétés, d'indicateurs de tendement aux fins de gestion devrait permettre une meilleure communication de l'information sur le rendement de même qu'une réduction des lacunes importantes au cours du troisième cycle d'examens spéciaux.
- 22.3 L'appui de la direction, ainsi qu'une description claire des objectifs et des stratégies, sont essentielles à l'élaboration d'indicateurs servant à évaluer le rendement. Ces indicateurs peuvent être utilisés dans l'ensemble d'une société pour aligner les plans et les activités sur les objectifs et les rôles d'intérêt public de la société.
- 22.4 Une société doit posséder des indicateurs qui soient complets et équilibrés pour véritablement appuyer l'alignement des plans et des activités sur les objectifs et les rôles. Il existe de nombreux cadres de travail qui peuvent aider une société à élaborer et à mettre à jour son ensemble d'indicateurs.
- 22.5 Il est important que les conseils d'administration des sociétés d'Etat se servent des indicateurs de rendement, et qu'ils exigent de la direction qu'elle élabore et utilise des indicateurs qui, du fait de leur importance, feront partie intégrante du processus de gestion.
- **22.6** Les conseils d'administration auraient peut-être avantage à déléguer à leur comité de vérification des certaines responsabilités relativement à l'évaluation de la mesure du rendement et de la communication des résultats de cet exercice.

Les services de déménagement d'articles de ménage au sein de l'administration fédérale



Vérificateur général adjoint : David Rattray Vérificateur responsable : Vinod Sahgal

Chapitre 21 - Points saillants

21.1 La présente vérification a été exécutée en réponse à une demande du Comité permanent des comptes publics.

21.2 En 1995–1996, l'administration fédérale a été responsable du déménagement de quelque 19 000 employés — ce qui représente le quart de tous les déménagements effectués par les sociétés de transport au Canada et plusieurs fois le nombre effectué pour le compte du second employeur canadien en importance. L'administration fédérale est bien placée pour obtenir des conditions favorables de la part de l'industrie du déménagement.

21.3 Le tarif payé par l'administration fédérale a chuté de façon marquée au cours des dernières années. Un certain nombre de facteurs ont contribué à cette diminution, notamment l'introduction du processus d'appel d'offres en 1992. Le tarif est, à quelques exceptions près, inférieur à celui que paient toutes les autres organisations canadiennes qui se procurent des services semblables. Néanmoins, certains secteurs justifient une intervention.

21.4 Le niveau de satisfaction des employés fédéraux à l'égard de la qualité des services était inférieur à celui des employés d'autres organisations canadiennes qui avaient été réinstallés. L'une des raisons qui expliquent cet état de fait est que l'accent a été mis surtout sur l'obtention du prix le plus bas, pas de la « valeur optimale » — un concept qui repose tant sur le prix que sur la qualité et qui est mesuré en fonction de la satisfaction des employés.

21.5 Les ententes contractuelles existantes, qui incorporent une formule de répartition des contrats entre les soumissionnaires qualifiés, se sont révélées fragiles. Pendant deux années de suite, des problèmes ont surgi soit à la phase de l'appel d'offres, soit à la phase de la mise en oeuvre.

21.6 Il se peut qu'il y ait surévaluation du poids soit parce que les poids sont « altérés », soit pour d'autres raisons. Le risque inhérent que les poids facturés soient trafiqués est élevé, et les contrôles à cet égard sont faibles.

Le nombre d'employés chargés de l'administration des activités de déménagement d'articles de ménage et les coûts liés à ces employés n'ont pas diminué malgré une baisse considérable du nombre de déménagements. On a recensé des possibilités de gains d'efficience qui pourraient donner lieu à des économies estimatives de 1,5 million de dollars par année. L'utilisation accrue des technologies de l'information, la centralisation, la simplification des règles et des règlements et l'élimination des activités non productives sont des secteurs où il faut agir.

21.8 Des possibilités d'économies existent dans d'autres secteurs. Par exemple, des économies annuelles de un ou deux millions de dollars pourraient être réalisées sur les coûts de fonctionnement si l'on pouvait trouver une autre méthode réalisable en remplacement de la pesée des expéditions pour fixer le prix des déménagements.

21.9 L'embauche de plusieurs anciens cadres supérieurs de la Défense nationale par l'industrie du déménagement a créé l'impression qu'il existe une relation avec lien de dépendance. La Défense nationale étudie un cas précis, ce qui pourrait permettre de déterminer s'il y a eu véritablement abus.

Travaux publics et Services gouvernementaux Canada

La privatisation du Groupe Communication Canada



Vérificaleur général adjoint : Shahid Minto Vérificaleur responsable : Alain Boucher

Chapitre 20 – Points saillants

Doctor Le gouvernement a pris la décision de privatiser le Groupe Communication Canada (GCC) et a approuvé le processus de vente en avril 1996.

Les objectifs de privatisation du gouvernement consistaient à obtenir la meilleure valeur pour la vente du GCC tout en réduisant au minimum les risques et obligations pour le gouvernement, et à minimiser l'incidence de cette vente aur l'industrie de l'imprimerie tout en assurant la continuité d'emploi dans le secteur privé pour le plus grand nombre possible d'employés du GCC. Le gouvernement n'a pas garanti de marchés futurs. Toutefois, pour que la vente soit effectuée dans les meilleures conditions possibles, il a offert aux acheteurs éventuels un avantage sous forme d'accès privilégié à tous les ministères et organismes gouvernementaux, et ce pendant une période de cinq ans.

20.3 Le gouvernement a vendu le GCC selon un processus de vente concurrentiel en émettant un appel d'offres à l'aide du Système d'invitations ouvertes à soumissionner. Nous avons constaté que le processus a été vaiment ouvert et qu'il a attiré un nombre important de soumissionnaires de l'industrie de l'imprimerie. L'évaluation des offres reçues s'est conformée au processus établi et a donné lieu à une analyse adéquate des soumissions. Nous avons donc conclu que l'offre du soumissionnaire retenu, la St. Joseph Corporation, représentait la meilleure valeur que le gouvernement pouvait obtenir à ce moment-là selon les conditions de vente qu'il avait précisées.

Nous avons constaté qu'un contrôle satisfaisant a régi le transfert des actifs et passifs à l'acheteur et que des procédures adéquates ont assuré l'arrêté des comptes de revenus et dépenses à la date de clôture de la transaction.

20.5 Le GCC a évalué le coût net du désinvestissement de l'organisme à 45,3 millions de dollars. Cependant, certains coûts que devaient absorber d'autres entités fédérales à la suite de la privatisation n'étaient pas inclus dans cette somme. Ces coûts comprenaient l'annulation des coûts de réduction des prestations de retraite, dont la valeur se situait entre 20 millions et 25 millions de dollars pour les personnes qui se sont prévalues de l'option de prestations de retraite anticipée, et les coûts liés à la protection du régime de retraite. L'ajout des coûts relatifs à la réduction des prestations de retraite antieit fait porter à lui seul le coût net de la privatisation à un montant variant entre prestations et 70 millions de dollars. En outre, les coûts liés à la réduction des prestations de retraite ne figuraient pas dans les analyses effectuées par le GCC concernant les diverses options qui s'offraient à lui. L'ajout de cet élément de coût aurait pu avoir une incidence sur les résultats des analyses coûts-avantages.

Nous avons vérifié un échantillon de cas liés au programme de réaménagement de l'effectif mis sur pied pour le GCC et avons constaté qu'ils répondaient tous aux conditions du programme. De plus, nous avons établi que ce dernier se comparait aux programmes des ministères et des organismes assujettis à la Directive sur le réaménagement des effectifs du Conseil du Trésor.

Nous considérons que le processus de privatisation à été bien géré en fonction des paramètres établis par le gouvernement; toutefois, il est trop tôt pour dire si cette privatisation sera un succès à long terme. L'équité à l'endroit du personnel et des acheteurs éventuels ainsi que les emplois étaient des critères importants pour le gouvernement, mais ils ont entraîné des coûts (relatifs au programme de réaménagement de l'effectif, par genemple) supérieurs à ceux qui auraient découlé d'une telle transaction dans le secteur privé.

Chapitre 19 - Points saillants (suite)

Tant qu'il n'aura pas progressé dans la mise en oeuvre de son régime réglementaire axé sur le rendement, Transports Canada ne sera pas en mesure d'obtenir l'entière assurance que NAV CANADA respecte les règlements en matière de sécurité régissant le système de navigation aérienne. Cette situation nous préoccupe. Même s'il a déclaré qu'il serait au courant de tout problème le cas échéant, le Ministère n'a pas encore réalisé sa première vérification ni sa première inspection des activités de NAV CANADA.

Iransports Canada

système de navigation aérienne La commercialisation du



Verificateur responsable: Hugh A. McRoberts Vérificateur général adjoint : Shahid Minto

Chapitre 19 - Points saillants

versé à l'Etat. sans but lucratif créée en 1995 pour acquérir et exploiter le système, contre un paiement de 1,5 milliard de dollars l'exploitation du système de navigation aérienne civile du Canada, a été cédé à NAV CANADA, société fermée Le 31 octobre 1996, un monopole important, octroyé à perpétuité par voie législative en vue de

des résultats financiers sur lesquels il fondait sa décision de vente. indépendant qualifié. Il n'a pas non plus obtenu d'assurance indépendante quant à la fiabilité de l'information et système, mais n'a pas obtenu d'opinion officielle sur l'évaluation du système auprès d'un professionnel être privatisés avant de lancer le processus de vente. Il a préparé un certain nombre d'estimations de la valeur du Transports Canada n'a pas clairement séparé les éléments du système de navigation aérienne qui devaient 7.61

cela implique que la valeur doit être connue et que toute différence doit être expliquée. « Le souci de l'économie » ne veut pas dire que le prix d'achat doit correspondre exactement à l'évaluation, mais comptable nette « ajustée ». A notre avis, ce n'était pas une méthode adéquate d'évaluation dans les circonstances. de l'exploitation, le Ministère a rapproché le « prix d'achat » d'une évaluation du système fondée sur une valeur évaluer le système. Bien que le système de navigation aérienne ait été vendu sur la présomption de la continuité Le Ministère s'est servi des méthodes de la valeur d'exploitation et de la valeur comptable nette pour

financiers du Ministère. un milliard de dollars de moins que la valeur d'exploitation, estimée à 2,4 milliards de dollars par les conseillers système de navigation aérienne, après négociation, contre un paiement de 1,5 milliard de dollars, soit environ cession du système de navigation aérienne à une société sans but lucratif; le Ministère a consenti à céder le Le gouvernement avait donné instruction à Transports Canada d'obtenir la juste valeur marchande pour la **7'61**

valeur estimative actuelle s'établit entre 145 et 275 millions de dollars. Néanmoins, Transports Canada n'a pas communiqué séparément le coût associé au transfert des pensions, dont la Les coûts de cession du système de navigation aérienne à la société sans but lucratif ont été importants. 2.61

unique avec son principal conseiller financier. Nous sommes préoccupés du fait que le Ministère n'ait pas justifié la passation d'un marché à fournisseur 9.61

et de prendre des mesures pour les mettre en oeuvre. comme étant pleinement opérationnel. Le Ministère en est conscient et est en train de préparer des plans d'action et à l'inspection qui doivent être réglées avant que le régime réglementaire de Transports Canada soit considéré aérienne du Canada. Méanmoins, il reste d'importantes questions liées aux risques, aux données, à la vérification établis et le Ministère a approuvé récemment ses Politiques du contrôle de la sécurité du système de navigation fondements législatifs et réglementaires pour la réglementation de NAV CANADA, avons-nous constaté, ont été Iransports Canada. Nous n'avons pas vérifié la sécurité du système ni formulé d'opinion à son sujet. Les Nous avons vérifié certains éléments de la surveillance du système de navigation aérienne qu'exerce

7.61

Chapitre 18 - Points saillants (suite)

18.8 Dans l'application de la politique commerciale, l'initiative de vérification périodique de Revenu Canada et le programme de vérification du pays d'origine prennent de l'ampleur. La stratégie du Ministère, dans le cas des petits importateurs, a été énoncée et son instauration a été amorcée.

18.9 Quant à l'aide fiscale à l'épargne-retraite et aux encouragements fiscaux à la recherche et au développement, le ministère des Finances a pris des mesures dans le but de fournir de meilleures estimations des coûts des programmes et des évaluations de leur efficacité. Il a aussi pris des mesures qui doivent corriger, dans la loi, des anomalies techniques qui touchent les sociétés étrangères affiliées et les contribuables qui quittent le pays.

Revenu Canada et le ministère des Finances

L'amélioration de l'administration du régime fiscal et des politiques commerciales : suivi de vérifications antérieures



Vérificateur général adjoint : Shahid Minto Vérificateur responsable : Jim Ralston

Chapitre 18 - Points saillants

Au cours des dernières années, Revenu Canada et le ministère des Finances ont apporté à leurs systèmes, procédés et pratiques de nombreux changements qui ont renforcé l'administration du régime fiscal et des politiques commerciales. Certains de ces changements sont le résultat de l'engagement pris par ces ministères d'améliorer leurs opérations; d'autres survenaient en réponse à des rapports de comités parlementaires, tandis que d'autres encore faisaient suite aux observations et aux recommandations formulées dans nos rapports de vérification de l'optimisation des ressources.

18.2 Notre suivi des recommandations antérieures a révélé des progrès sur plusieurs terrains. Nous encourageons les deux ministères à poursuivre leurs efforts pour s'attaquer aux domaines où persistent des préoccupations.

18.3 Revenu Canada transmet maintenant un plus grand nombre de décisions anticipées en matière d'impôt sur le revenu et de décisions et d'interprétations en matière de taxe sur les produits et services (TPS), et il a pris des dispositions en vue d'améliorer sa documentation qui étaye la prise des décisions clés qui débouchent sur des décisions anticipées.

18.4 Le Ministère continue d'éprouver de la difficulté à mener à terme ses examens des déclarations de revenus sélectionnées pour une étude minutieuse, pendant le programme de traitement annuel. Il a accru le nombre de zones sujettes à une revue du traitement et il maintient, d'une année à l'autre, l'uniformité dans les zones choisies. On s'attend que des améliorations de la qualité des données mettent Revenu Canada plus à même d'analyser et d'évaluer le rendement du programme de traitement.

18.5 L'intégration du recouvrement de l'impôt sur le revenu, de la TPS et des douanes et de l'accise, l'établissement d'un système d'analyse des risques, et des modifications des procédures de recouvrement devraient rehausser la fonction de recouvrement. Une nouvelle procédure pour une communication précoce au sujet des gros comptes en souffrance s'avère des plus productives, car elle a rapporté 181 millions de dollars, en sujet des gros comptes en souffrance s'avère des plus productives, car elle a rapporté 181 millions de dollars, en de son utilisation.

18.6 Le Ministère est en voie de passer d'une stratégie de sélection pour la vérification, axée sur l'identification de particuliers, à une stratégie fondée sur les secteurs industriels. Il tente aussi de tirer profit de l'unification administrative de manière à accroître la visibilité et l'étendue de la vérification. Toutefois, le Ministère n'a toujours pas de programme de vérification visant les cotisations aux REER. Grâce à une meilleure déclaration des numéros d'assurance sociale et au partage des données avec d'autres ministères fédéraux et provinciaux, Revenu Canada améliore sa capacité de poursuivre les non-déclarants de l'impôt sur le revenu et les non-inscrits de la TPS.

18.7 Le Ministère a mis au point un processus de gestion des risques liés aux dispositions fiscales complexes qui peuvent lui faire perdre des recettes, lorsque ces dispositions servent à l'évitement fiscal. Il a également amélioré la collecte et la transmission des données sur le rendement d'un certain nombre de ses programmes.

Développement des ressources humaines Canada

Virage décisif vers une gestion axée sur les résultats



Vérificateur général adjoint : David Rattray Vérificateur responsable : Louis Lalonde

Chapitre 17 - Points saillants

17.1 Le Ministère à amorcé un virage vers une gestion orientée sur les résultats. Il a entrepris plusieurs initiatives : la publication du Cadre de responsabilité axée sur les résultats (le Cadre), une consultation avec ses employés et l'établissement de mesures de rendement pour les principales activitées. De plus, le Ministère à étendu l'application de ces mesures aux activités qu'il entreprend avec des partenaires. Les rôles et les responsabilités de ceux-ci sont, dans l'ensemble, bien définis. De plus, les nouvelles ententes relatives au développement du marché du travail incluent généralement les éléments essentiels à une bonne reddition des comptes entre ces partenaires.

Certaines étapes restent à franchir pour compléter ce virage. Développement des ressources humaines Canada (DRHC) devra trouver l'équilibre qui convient entre l'éfficacité, le coût et la qualité des services. À l'heure actuelle, les coûts ne sont pas analysés par rapport aux indicateurs principaux. Il faut aussi faire un lien entre le rendement et les conséquences d'avoir répondu ou non aux attentes.

17.3 Le Ministère a besoin de l'appui des employés qui travaillent dans les centres de ressources humaines du Canada (CRHC) s'il veut réussir la mise en oeuvre du Cadre. Il faudrait que les problèmes de crédibilité des données de certains programmes soient réglés dans les plus brefs délais afin que les employés aient confiance en données de certains programmes soient réglés dans les plus brefs délais afin que les employés aient confiance en l'information fournie, sans quoi l'ensemble de l'initiative peut être en péril.

I7.4 L'information que reçoit le Parlement sur les résultats atteints par rapport aux objectifs fixés est incomplète. À cause de l'importance et de la nature spéciale du Compte d'assurance-emploi, le Parlement gagnerait à ce que l'information soit regroupée en un seul endroit. Il n'y a pas de rapport distinct qui regroupée l'information financière sur le rendement. Un tel rapport pourrait inclure, entre autres, des renseignements sur le l'information financière sur le rendement. Un tel rapport pourrait inclure, entre autres, des renseignements sur le l'information financière sur le rendement. Un tel rapport pour pas présentement déposées au Parlement. Le dépôt des analyses actuarielles au Parlement améliorerait la transparence et rendrait disponibles les données nécessaires pour établir une réserve suffisante dans le Compte d'assurance-emploi.

I7.5 Deux activités que nous avons vérifiées, soit la gestion des comptes débiteurs et la protection de l'intégrité des programmes, confirment l'avancement dans la gestion axée sur les résultats. Depuis 1994, le Ministère a déployé de grands efforts pour intégrer et harmoniser la gestion des comptes débiteurs de tous ses programmes. Cependant, la qualité du portefeuille des comptes débiteurs s'est détériorée au cours des cinq dernières années. Le rendement des comptes débiteurs pourrait être mieux mesuré, ciblé et analysé afin de permettre d'évaluer la rentabilité des activités de recouvrement du Ministère.

17.6 Quant aux activités de protection de l'intégrité des programmes, la gestion axée sur les résultats est plus avancée pour le Programme d'assurance-emploi. Depuis 1992, la Direction des enquêtes et du contrôle utilise l'information sur les résultats pour négocier les ressources requises et pour fixer une cible nationale de rendement. Cependant, les autres activités de protection des fonds publics pourraient être mieux mesurées et ciblées si l'on veut parvenir à une gestion qui se fasse en fonction des résultats.

Développement des ressources humaines Canada — La Stratégie du poisson de fond de l'Atlantique



Vérificateur genéral adjoint : David Rattray Vérificateur responsable : Louis Lalonde

Chapitre 16 - Points saillants

16.1 Le cadre de reddition des comptes de la Stratégie du poisson de fond de l'Atlantique (la Stratégie) présente des faiblesses importantes, qui ont eu des conséquences sur la valeur reçue en contrepartie de l'argent dépensé. Parmi ces faiblesses, notons ce qui suit :

- els responsabilités des organismes devant étaborer et mettre en oeuvre la Stratégie n'ont pas été clairement définiées des organismes devant étaborer et mettre en oeuvre la Stratégie n'ont pas été
- aucun plan stratégique global n'a été établi pour recenser et ordonnancer les activités des organismes responsables et définir les indicateurs et les attentes de rendement à utiliser et à surveiller, et sur lesquels faire rapport;
- aucun mécanisme officiel de coordination n'a été envisagé alors que la Stratégie nécessitait des activités conjointes du fait que ses volets étaient interdépendants;
- l'information présentée au Parlement n'a pas permis de déterminer les progrès réalisés pour atteindre les objectifs de la Stratégie visant à restructurer l'industrie de la pêche dans le Canada atlantique de façon à ce qu'elle devienne viable sur le plan économique et durable sur le plan environnemental.
- 16.2 Le calendrier pour élaborer la Stratégie n'était pas réaliste pour une initiative de cette envergure. Il n'a pas été établi en fonction d'une restructuration de l'industrie. Les fonds, de 1,9 milliard de dollars, ont été répartis selon une stratégie préliminaire. Des réaffectations de fonds entre les volets de la Stratégie ont dû avoir lieu en raison de changements majeurs à la stratégie initiale et de prévisions de la population admissible inférieures à la réalité.
- **16.3** L'information nécessaire pour évaluer l'admissibilité des participants n'était pas toujours disponible. Étant donné la difficulté d'obtenir une information claire et précise, des décisions ont été prises à partir de renseignements incomplets, qui ne répondaient pas aux exigences des critères d'admissibilité de la Stratégie. Des erreurs ont été notées dans l'application de ces critères depuis le début de la mise en place de la Stratégie et plusieurs rectifications ont dû être apportées. Diverses interprétations des critères d'admissibilité ont entraîné un traitement différent des participants d'un endroit à l'autre.
- 16.4 Les résultats du volet Adaptation de la main-d'oeuvre de la Stratégie ne seront pas connus. Les efforts d'évaluation de programme ont été abandonnés lorsqu'on est passé de mesures actives d'adaptation à des mesures passives. Le fait que l'information recueillie et les leçons apprises lors d'une première évaluation de l'élaboration et de la mise en place du programme puissent être perdues et que l'on ne rende pas compte des résultats nous préoccupe.
- 16.5 Le gouvernement doit se pencher sur les questions à plus long terme découlant de l'élimination de la Stratégie, prévue pour mai 1998. Nous le pressons d'examiner attentivement les conséquences et les répercussions des décisions prises dans le cadre de la Stratégie afin d'en tirer des leçons utiles.

Pêches et Océans Canada — Rationalisation et renouvellement : le poisson de fond de l'Atlantique



Vérificateur général adjoint : Don Young Vérificateur responsable : Doug Timmins

Chapitre 15 - Points saillants

15.1 Pêches et Océans Canada a reconnu la nécessité de modifier en profondeur la pêche, la relation qu'il a avec l'industrie ainsi que ses méthodes de gestion afin de parvenir à une pêche durable. Depuis 1992, le Ministère a pris des mesures pour réduire le nombre de permis de pêche au poisson de fond et a apporté des changements à la gestion de la pêche. Il a pris de nouvelles dispositions pour que la responsabilité de cette gestion soit partagée à l'avenir.

15.2 Un objectif clé de la Stratégie du poisson de fond de l'Atlantique (la Stratégie ou LSPA) et d'autres initiatives est de réduire la capacité actuelle de récolte d'au moins 50 p. 100 à long terme. Les 300 millions de dollars qui avaient été affectés au départ, dans le contexte de la Stratégie, pour réduire cette capacité ont été ramenés à 97 millions. Le Ministère a concentré ses efforts de réduction de la capacité au retrait de permis et pour le retrait de permis de pêche au poisson de fond et à 266 pêcheurs sans permis. Le Ministère aurait été en mesure de procéder au retrait d'un plus grand nombre de permis ai les fonds affectés à leur rachat et aux retraites anticipées n'avaient pas été réduits de près de 200 millions de dollars. Il prévoit le retrait éventuel de 2 626 autres permis lorsque leurs titulaires actuels abandonneront la pêche. En supposant que le Ministère soit capable d'effectuer ces retraits, il aura supprimé environ 23 p. 100 des permis qui étaient en utilisation pour la pêche au poisson de fond au moment où la Stratégie a été lancée. Toutefois, cela laissera quelque 10 000 permis en circulation, dont une partie sont détenus par les pêcheurs qui, dans le passé, ont pris le plus de poisson. Ainsi, il demeurera un excédent important pour ce qui est de la capacité de récolte.

15.3 Le Ministère a apporté de nombreuses modifications à ses activités de gestion du poisson de fond depuis auparavant. Il a introduit des plans de pêche axés sur la conservation, et les connaissances des pêcheurs ont été intégrées à la gestion du poisson de fond. Il n'empêche qu'il faut encore améliorer les pratiques de la gestion de la pêche pour assurer la durabilité de la ressource.

15.4 Dans le passé, des méthodes de gestion ont été adoptées dans l'intention de préserver la ressource. Pour diverses raisons, leur application a échoué. Vu l'incertitude inhérente à la ressource, il faut fonder les décisions sur le principe de précaution, améliorer la surveillance des prises et faire de l'application des règlements un élément capital de la gestion du poisson de fond.

15.5 Le Ministère se réorganise tout en procédant aux coupures qui découlent de l'Examen des programmes. Il a comme stratégie à long terme de transférer plus de responsabilités en matière de gestion de la pêche à l'industrie du poisson de fond. Ce transfert n'a pas encore eu lieu, notamment à cause de l'initations législatives et l'absence d'assurance que l'industrie pourra accepter des responsabilités accrues et le fera, nous nous inquiétons des répercussions que pourraient avoir sur la conservation les réductions et les modifications prévues aux activités de gestion du poisson de fond du Ministère.

Chapitre 14 - Points saillants (suite)

14.6 L'attachement culturel profond pour la pêche au poisson de fond a été renforcé par plusieurs décennies de subsides gouvernementaux. Il en est résulté des pressions appréciables sur le gouvernement pour le maintien du statu quo, c'est-à-dire l'utilisation du poisson pour la prestation de soutien au revenu. Les gouvernements qui se sont succédé ont accordé un soutien au revenu de plus en plus important aux pressions sociales ne s'est pas collectivités côtières éloignées du Canada atlantique. Cette façon de réagir aux pressions sociales ne s'est pas traduite par une pêche rentable. En réalité, la disparition de la pêche a révélé, plus clairement que jamais, qu'une partie importante de l'industrie de la pêche de l'Atlantique reposait fortement sur le soutien du revenu. Cette dépendance complique encore plus les problèmes déjà complexes découlant de la surcapacité ou de la gestion des pêches.

L4.7 L'avenir de la pêche au poisson de fond demeurant incertain, les problèmes demeurent, eux-aussi, critiques. Selon nous, le Ministère, de pair avec le gouvernement, se doit de premier impérait », et de maintenir ses mettre en application le principe selon lequel la « conservation demeure le premier impérait », et de maintenir ses efforts afin de veiller à ce que les décisions en matière de gestion de la ressource soient conformes au principe selon lequel « la capacité de récolte se doit de correspondre à la ressource disponible. » En même temps, le gouvernement doit prendre de difficiles décisions socio-économiques quant à l'avenir de ceux que la pêche ne peut faire vivre, si la gestion des pêches a pour objet de garantir le caractère durable des pêches des points de vue écologique et économique.

Pêches et Océans Canada — Un cadre pour la pêche durable : le poisson de fond de l'Atlantique le poisson de fond de l'Atlantique



Vérificateur général adjoint : Don Young Vérificateur responsable : Doug sainmins

Chapitre 14 - Points saillants

I4.1 Même si bon nombre de pêches de l'Atlantique continuent d'être prospères, les années 90 ont vu l'effondrement de la plupart des pêches commerciales du poisson de fond du Canada atlantique. À mesure que les stocks de poisson de fond de l'Atlantique s'appauvrissaient pour atteindre les plus bas niveaux jamais enregistrés, Pêches et Océans Canada et l'Organisation des pêches de l'Atlantique nord-ouest mettaient fin progressivement à la plupart des pêches commerciales au poisson de fond de l'Atlantique et réduisaient de façon appréciable les totaux autorisés de capture des autres pêches.

14.2 Pour faire face à cette situation, le gouvernement fédéral a mis en oeuvre des programmes de soutien du revenu et d'adaptation, qui viennent en aide à ceux qui dépendaient de la pêche, en plus de prendre des mesures particulières visant à améliorer la gestion des ressources halieutiques et à faire concorder la capacité de l'industrie avec l'importance de la ressource en poisson de fond. Le gouvernement aura consacré, ces derniers dix ans, plus de trois milliards de dollars de programmes nouveaux et réaffectés. Cela a permis de réaliser certains progrès, mais bon nombre des problèmes cruciaux connexes à la pêche, notamment la surcapacité en matière de capture du poisson, ne sont toujours pas réglés et le nombre de personnes qui dépendent des programmes d'aide capture du poisson, ne sont toujours pas réglés et le nombre de personnes qui dépendent des programmes d'aide

14.3 La gestion, dans l'optique d'une exploitation durable, de la pêche du poisson de fond de l'Atlantique, qui est saisonnière et exige une importante main-d'oeuvre, constitue un défi extrêmement complexe. Les décideurs doivent tenir compte de l'imprécision inhérente à la détermination de l'état des stocks de poisson en plus de subir les pressions exercées par les pêcheurs, les travailleurs d'usine et l'industrie qui souhaitent maintenir leur participation à la pêche et en tirer des revenus, être admissibles à l'assurance-emploi pendant la saison morte et bénéficier d'autres formes d'aide gouvernementale en périodes de crise.

I4.4 Pêches et Océans Canada a énoncé les principes d'une pêche de l'avenir, mais il reste à élaborer des indicateurs mesurables qui permettront d'en évaluer les progrès. Des progrès ont été accomplis dans le domaine de réduction du nombre de permis de pêche au poisson de fond, mais la surcapacité de récolte, exprimée en capacité de tuer les poissons, demeure. Le Ministère se doit de poursuivre ses efforts dans le but de cerner l'étendue de l'effet des facteurs environnementaux et autres sur le déclin du poisson de fond. En outre, les praiques de gestion se doivent d'être encore améliorées afin de mieux gérer les risques et l'incertitude inhérents pratiques de gestion des pêches en tant que ressource durable. Il faut accorder la priorité au principe de précaution à la conservation et s'attaquer aux pratiques de pêche non durable.

14.5 Le Ministère a affirmé qu'il avait pour mandat la conservation des ressources halieutiques et que cela se reflétait dans la législation actuelle, mais nous n'avons trouvé aucun énoncé clair d'une politique nationale sur les pêches durables. De plus, les indicateurs de rendement se doivent d'être améliorés et les processus de planification et de communication de l'information sur le rendement doivent être mieux intégrés.

Santé Canada – La santé des Premières nations



Vévificatrice générale adjointe : Maria Barrados Vévificateur responsable : Ronnie Campbell

Chapitre 13 - Points saillants

- 13.1 L'état de santé des membres des Premières nations est bien pire que celui de la population canadienne en général. Il est influencé par les mauvaises conditions socio-économiques de leurs collectivités, qui posent des défis considérables pour Santé Canada et les autres parties leur offrant des services de santé.
- 13.2 Il est nécessaire d'améliorer la gestion des programmes de santé communautaire exécutés en vertu d'accords de contribution distincts. Santé Canada ne surveille pas efficacement ces accords. Souvent, il n'existait pas de descriptions claires et détaillées des programmes à mettre en oeuvre dans les collectivités visées. Dans environ les deux tiers des accords que nous avons examinés, le Ministère ne possédait pas les renseignements exigés sur les activités poursuivies dans les collectivités.
- Da.3 On a élaboré un cadre approprié pour le transfert de la responsabilité des programmes de santé aux collectivités, ce qui a permis aux Premières nations de commencer à gérer leurs propres programmes de santé. Toutefois, ce cadre n'a pas encore été mis en oeuvre complètement. Les rapports exigés fournissent rarement des renseignements sur le rendement dans le domaine de la santé, et les exigences en matière de vérification des programmes n'étaient pas suffisamment satisfaites. De plus, l'évaluation de l'initiative de transfert n'a pas mesuré les changements dans la santé de la population.
- L3.4 La gestion des prestations pharmaceutiques fournies en vertu du Programme des services de santé non assurés (SSNA) comporte des lacunes importantes, ce qui permet aux clients de se procurer de très grandes quantités de médicaments prescrits. Bien que le Ministère soit au courant depuis presque dix ans du problème de l'usage à mauvais escient des médicaments prescrits, nous n'avons constaté aucun signe indiquant qu'il soit l'usage à mauvais escient des médicaments prescrits et de décès liés à ceux-ci dans les rollectivités des Premières nations, on a mis beaucoup de temps à intervenir.
- L3.5 Afin d'essayer de combler les lacunes du Programme, Santé Canada fait actuellement l'essai d'un système de traitement aux points de service, dont la mise en oeuvre intégrale est prévue à l'automne 1997. Ce système pourrait s'avérer un mécanisme clé pour le contrôle de l'utilisation des médicaments et l'administration des prestations pharmaceutiques. Le Ministère doit toutefois rédiger un protocole précis pour orienter les mesures d'intervention et surveiller de près les cas où les pharmaciens ne tiennent pas compte des messages d'avertissement.
- 13.6 Les fournisseurs de soins dentaires ont tendance à ne pas offrir les services selon les besoins mais plutôt selon les fréquences et les limites établies, ce qui donne lieu à la prestation de services superflus à certains patients des Premières nations. Le Ministère a mis à l'essai un processus de détermination préalable et il prévoit mettre en oeuvre à l'échelle nationale ce modèle axé sur les besoins.
- L3.7 Le Ministère a réussi à instaurer certaines mesures de gestion des coûts, ce qui a permis de réduire le taux d'augmentation des coûts directs du Programme des services de santé non assurés (SSNA), le faisant passer ainsi de 22,9 p. 100 en 1990–1991 à 5,6 p. 100 en 1995–1996. Cependant, d'autres économies peuvent être réalisées dans d'autres domaines, notamment en ce qui a trait aux frais d'exécution des ordonnances et au transport pour des raisons de santé. De plus, la direction doit améliorer l'évaluation des demandes de remboursement et les vérifications des fournisseurs.

Les technologies de l'information — La préparation à l'an 2000



Vérificateur général adjoint : Doug Timmins Vérificatrice responsable : Nancy Cheng

Chapitre 12 - Points saillants

L2.1 La crise de « l'an 2000 » est un phénomène mondial. Elle tient à la possibilité d'erreurs, de défectuosités et de défaillances des systèmes qui découle de l'habitude que les informaticiens et l'industrie des technologies de l'information avaient de représenter l'année par un code à deux chiffres. L'an 2000 peut menacer le même que les opérations internes. Les coûts estimatifs du règlement des problèmes causés par l'an 2000 ont été établis, pour l'ensemble de la planète, à une somme pouvant atteindre 600 milliards de dollars américains. Au établis, les coûts totaux sont évalués entre 30 milliards et 50 milliards de dollars. Le Secrétariat du Conseil du Trésor a estimé que les coûts pour le gouvernement canadien s'établissaient à un milliard de dollars.

12.2 La préparation à 1'an 2000 est généralement reconnue comme étant l'un des plus importants projets en technologies de l'information. La date limite est immuable, et moins de trois ans nous séparent du nouveau millénaire. Nous avons conclu qu'à la fin d'avril 1997, le rythme des progrès accomplis pour atténuer les risques d'erreurs et de défaillances des systèmes était généralement lent et que les risques résiduels étaient élevés. En outre, des risques considérables, comme les priorités contradictoires pour le développement de systèmes et l'insuffisance des ressources techniques, pourraient, s'ils se matérialisaient, menacer les efforts déployés en vue de l'an 2000.

12.3 Le Secrétariat du Conseil du Trésor a aidé à accroître la sensibilisation dans l'ensemble du gouvernement et a favorisé l'échange de points de vue et d'expériences sur les efforts en vue de l'an 2000. Son bureau du projet de préparation à l'an 2000 travaille avec les ministères et les organismes afin de déterminer les problèmes communs et d'y trouver des solutions. Le Secrétariat nous a informés que sa présentation pour le financement de projets à l'échelle du gouvernement a été approuvée à la fin de juin, en vue d'être soumise au Conseil du Trésor au cours de l'été de 1997.

12.4 Toutefois, si les progrès se poursuivaient au rythme observé au moment de notre vérification, ils seraient probablement trop lents pour que les systèmes du gouvernement, y compris les systèmes indispensables à l'appui assurant des programmes et des services essentiels, soient prêts à temps. Nous craignons que des systèmes assurant des programmes et services gouvernementaux restent exposés à des risques. La défaillance de systèmes indispensables pourrait nuire à la santé et à la sécurité de la population de même qu'aux services publics essentiels. À notre avis, l'an 2000 représente une grave menace qui exige une action urgente et vigoureuse.

12.5 Nous avons recommandé que les projets de préparation à l'an 2000, y compris l'élaboration de plans d'urgence, soient classés parmi les grandes priorités des ministères et des organismes. De plus, nous avons proposé que le Secrétariat accorde une priorité élevée à son projet de surveillance de la mise en oeuvre de la plupart des systèmes indispensables pour l'ensemble du gouvernement. Nous avons aussi fait ressortir la nécessité d'un engagement continu de la part de la haute direction et, s'il y a lieu, d'un engagement continu de la part des ministres pour surmonter les dangers et obstacles qui risquent de faire dérailler les projets de préparation à l'an 2000.

Vers une gestion axée sur les résultats



Vérificateur responsable : John Maria Barrados

Chapitre 11 - Points saillants

Plisque les Canadiens s'attendent que les programmes soient rentables, les gestionnaires du gouvernement doivent axer leurs efforts sur l'obtention de résultats, notamment sur les avantages pour les Canadiens. Il est essentiel que les décisions soient fondées sur les résultats dans un contexte où le gouvernement est à revoir sa participation à la mise en oeuvre des programmes et se fie davantage à des tiers à cet égard. Nous avons cependant constaté que la gestionnaires ont eu tendance à concentrer leur attention sur les ressources gouvernement. Par le passé, les gestionnaires ont eu tendance à concentrer leur attention sur les ressources exploitées, les activités réalisées et les procédés à suivre.

II.2 Un certain nombre d'initiatives récentes au sein de l'appareil gouvernemental vont dans le sens d'une gestion axée sur les résultats, mais des efforts concertés sont nécessaires pour opérer les changements voulus. La présente étude vise à favoriser une telle évolution en faisant converger dans le même document les expériences liées à divers programmes du gouvernement canadien et d'autres administrations publiques qui ont progressé de liées à divers programmes du gouvernement canadien et d'autres administrations publiques qui ont progressé de façon significative. Nous avons retenu, dans le cadre de l'étude, des exemples qui illustrent divers contextes et diverses démarches.

Mous avons vu des situations où les gestionnaires mesuraient le rendement, communiquaient, tant à l'intérieur qu'à l'extérieur, l'information concernant les résultats et utilisaient cette information en vue d'améliorations constatées par rapport à certaines conséquences clés auxquelles ils s'efforçaient d'aboutir dans améliorations constatées par rapport à certaines conséquences clés auxquelles ils s'efforçaient d'aboutir dans l'intérêt des Canadiens, de concert avec leur ministre. Ces gestionnaires ont également constaté que la gestion axée sur les résultats améliorait les pratiques de gestion, les activités des programmes et accroissait la crédibilité des programmes.

La façon dont la gestion axée sur les résultats est instaurée variera selon la situation d'un programme donné. Nous avons cependant pu dégager certaines constantes. Le leadership de la haute direction et la volonté d'agir à tous les niveaux de l'appareil gouvernemental ont une importance toute particulière. Les gestionnaires efficaces engendrent un climat organisationnel qui incite à gérer en vue d'obtenir des résultats. Il importe également que les intéressés s'entendent sur les résultats escomptés et sur les moyens de les mesurer. Bien qu'elle également que les intéressés s'entendent sur les résultats escomptés et sur les moyens de les mesurer. Bien qu'elle progrès accomplis.

Pour que les progrès se poursuivent en matière de gestion axée sur les résultats, il faudra que les notamment que les décideurs fassent valoir l'importance des résultats, d'une part en demandant de l'information sur ces mêmes résultats et, d'autre part, en se fondant visiblement sur eux pour prendre des décisions.

Ressources naturelles Canada — L'efficacité énergétique



Vérificatrice générale adjointe : Maria Barrados Vérificatrice responsable : Ellen Shillabeer

Chapitre 10 - Points saillants

10.1 Depuis un grand nombre d'années, Ressources naturelles Canada (RMCan) s'emploie à promouvoir l'efficacité énergétique. Jusqu'au milieu des années 80, le Ministère mettait l'accent sur les programmes de maintenant son rôle comme celui d'un chef de file et il établit des partenariats visant à réduire la consommation d'énergie et à augmenter l'efficacité énergétique. Aujourd'hui, il met plutôt l'accent sur les effets environnementaux de l'utilisation de l'énergie.

10.2 Les 16 initiatives actuelles d'efficacité énergétique de RMCan qui ne sont pas axées sur la recherche et le développement constituent un élément clé de la stratégie que s'est donnée le Canada pour parvenir, comme il s'y est engagé, à stabiliser, d'ici l'an 2000, les émissions de gaz à effet de serre aux niveaux de 1990. Nous avons constaté que l'information sur le rendement dont le Ministère dispose actuellement, qu'il s'agisse des attentes ou des réalisations, n'est pas suffisante pour nous permettre de juger du succès global de ses initiatives d'efficacité énergétique, plus précisément de leur apport à l'objectif de stabilisation.

10.3 Le Ministère a consacré, au cours de l'exercice financier 1995–1996, un total d'environ 16,5 millions de dollars aux 16 initiatives. Il existe un grand éventail d'instruments stratégiques pouvant servir à encourager l'efficacité énergétique, mais le Ministère a recours à un nombre limité d'entre eux, à savoir l'utilisation sélective de règlements, l'information et les mesures volontaires.

10.4 Les objectifs fixés pour bon nombre des initiatives d'efficacité énergétique ne fournissent pas d'information claire et concrète sur les réalisations escomptées, qui puisse servir de référence au Ministère pour évaluer les progrès accomplis et faire rapport au Parlement. Le Ministère doit faire davantage pour mesurer et évaluer le rendement global de ses initiatives et établir des liens appropriés avec l'objectif de stabilisation. Le évaluer le rendement des mesures pour améliorer la qualité de l'information sur le rendement, lorsque cela est possible et rentable.

10.5 Le Ministère pourrait encore améliorer sa transparence et mieux rendre compte au Parlement des attentes à l'égard du rendement et des réalisations de chacune de ses initiatives.

10.6 Le Ministère a commencé à améliorer l'efficacité énergétique de ses propres installations et de son parc automobile et il s'attend à atteindre ses objectifs actuels d'ici la fin de 1997–1998.

Affaires étrangères et Commerce international Canada — La gestion et le contrôle financiers



Vérificateur général adjoint : David Rattray Vérificateur responsable : John Hitchinson

Chapitre 9 – Points saillants

- Depuis notre vérification de 1994, le ministère des Affaires étrangères et du Commerce international a continué d'améliorer son contrôle des finances dans les domaines où des problèmes avaient déjà été signalés, notamment la collecte du loyer auprès des employés et le contrôle des avances versées aux employés. La formation financière a aussi été améliorée. Les systèmes financiers de base sont maintenant plus performants, mais il reste encore beaucoup à faire à ce chapitre. Il faut aussi continuer à favoriser, dans l'ensemble du Ministère, la sensibilisation aux coûts et l'intendance.
- 9.2 L'ajout de la somme de 25 \$ au coût de chaque passeport délivré, aux fins du recouvrement des coûts consulaires, était fondé au début sur des données financières erronées. Après notre vérification, le Ministère a recalculé les coûts. Bien que ces nouveaux calculs aient révélé un certain nombre d'augmentations et de diminutions des coûts, il semble qu'il ne soit pas nécessaire de modifier les frais pour services consulaires.
- La Direction générale des biens a adopté une nouvelle approche de la gestion des biens au Ministère. Cependant, le contrôle des dépenses liées à l'entretien des propriétés est encore faible dans certains domaines. D'importantes sommes ont été dépensées pour la rénovation et la réparation des résidences officielles au moment du changement de chefs de mission, sans que les besoins aient été clairement établis par les missions et la Direction générale. Celle-ci n'a pas élaboré un plan financier global aux fins d'examen par la haute direction, qui présente les dépenses et recettes annuelles probables et comporte d'autres stratégies de financement qui lui présente les dépenses et recettes annuelles probables et comporte d'inmobilisations à l'étranger. Les systèmes d'information ne soutiennent pas encore la fonction de gestion des biens comme ils le devraient.
- Avec l'installation du SIGNET (Réseau mondial intégré de communications), le Ministère a réussi à se doter d'un réseau mondial de communications de bureau à bureau; toutefois, cela s'est avéré plus compliqué que prévu. On a créé un poste d'agent d'information en chef (AIC), dont le mandat est de consolider les plans et les budgets relatifs à toutes les dépenses du Ministère dans le domaine des technologies de l'information, ainsi que de recommander des priorités. Le système d'information financière n'a pas été utilisé de façon uniforme pour la budgétisation des dépenses de TI à l'échelle du Ministère.
- Des directives sur le service extérieur (DSE) n'ont pas changé depuis notre dernière vérification. Il se peut toutefois qu'elles soient simplifiées, car on a récemment entrepris de les revoir sous les angles de la fiscalité, de la complexité et de la pertinence. La capacité du Ministère à analyser les coûts des DSE et à fournir de l'information à cet égard s'est améliorée; cependant, la formule de la gestion partagée des DSE n'est pas aussi efficace qu'elle le devrait. La gestion des voyages aux termes des DSE s'est améliorée ces deux dernières années.

Ministère des Finances — Le Programme de péréquation



Vérificateur général adjoint : Ron Thompson Vérificateur responsable : Jeff Greenberg

Chapitre 8 – Points saillants

Un élément essentiel qui caractérise la citoyenneté dans ce pays est qu'elle doit donner un accès relativement égal aux services gouvernementaux de base, quel que soit le lieu de résidence du citoyen.

Commission royale sur l'union économique et les perspectives de développement du Canada, 1985

8.1 Ce principe fondamental est toujours l'élément moteur du programme de péréquation du gouvernement fédéral, vieux de 40 ans, en vertu duquel, en 1996–1997, des paiements inconditionnels de 8,5 milliards de dollars ont été transférés aux provinces relativement pauvres. La péréquation est un programme axé sur les besoins, qui exige une attention soutenue et une mise au point continue pour rester conforme à son objectif.

8.2 L'objectif du Programme de péréquation étant d'égaliser la capacité des provinces à percevoir des recettes, la clé de son succès réside dans la façon dont le Régime fiscal représentatif, le fondement même du programme, reflète les divers régimes fiscaux provinciaux. Aussi, le Programme doit être renouvelé au moins tous les constante de ces régimes et s'y adapter. En vertu de la loi, le Programme doit être renouvelé au moins tous les cinq ans, ce qui donne au gouvernement fédéral l'occasion immanente d'actualiser le Programme, de concert avec les provinces. Nous avons constaté qu'un tel système fonctionne, mais qu'il pourrait être plus efficace si le comité fédéral-provincial sur la péréquation commençait son examen des questions en suspens plus tôt, à chaque nouvelle période de péréquation.

8.3 Nous sommes d'avis qu'il doit exister une solide base sur laquelle on puisse s'appuyer pour savoir pourquoi le Programme devrait être modifié et comment il devrait l'être. À ce propos, nous préconisons l'établissement de principes directeurs qui régiraient la structure du Régime fiscal représentatif ainsi que les dispositions platond et seuil qui limitent les fluctuations des paiements.

8.4 Etant donné que c'est au Parlement de prendre les décisions finales concernant le Programme de péréquation, nous pensons que le ministère des Finances devrait s'efforcer davantage d'informer le Parlement, et le public en général, du fonctionnement de ce programme très complexe. Nous pensons également qu'il devrait faire une utilisation plus efficace du Parlement, en sollicitant l'avis d'un nombre plus grand d'intéressés plutôt que de s'appuyer quasi exclusivement sur l'avis d'un comité de fonctionnaires fédéraux et provinciaux.

Nous jugeons raisonnable le procédé administratif sur lequel sont fondés le calcul des droits et le versement des paiements. Toutefois, nous avons remarqué que les soldes impayés que les provinces, en 1995–1996, un avantage supplémentaire d'environ 38 millions de dollars. Nous pensons que le gouvernement devrait revoir sa avantage supplémentaire d'environ 38 millions de dollars. Nous pensons que le gouvernement devrait revoir sa politique concernant l'intérêt sur les soldes impayés qui lui sont dus, ou dont il doit lui-même s'acquitter.

8.6 Les fonctionnaires nous ont fréquemment rappelé que le Programme de péréquation occupe une place importante dans la fédération canadienne. Méanmoins, un tel programme ne peut être meilleur que les procédés en place qui lui permettent de s'adapter aux forces mouvantes des régimes fiscaux provinciaux. Nous sommes d'avis que le Programme dans sa forme actuelle et les mécanismes de changement qui s'y rattachent fonctionnent raisonnablement bien, mais qu'ils pourraient être améliorés. C'est donc un défi à relever et une occasion à saisir par le gouvernement et le Parlement qu'il dessert.

Les cartes d'achat



Vérificateur général adjoint : Shahid Minto Vérificateur responsable : Trevor R. Shaw

Chapitre 7 - Points saillants

7.1 Les cartes d'achat constituent un instrument d'achat récent dans l'administration fédérale. L'utilisation des cartes s'est répandue rapidement depuis 1991 et cette croissance se maintient. En 1996, les cartes, au nombre d'environ 20 000, ont servi à acheter des biens et des services pour une valeur de 172 millions de dollars.

5.2 L'utilisation des cartes ne permet pas d'exercer les contrôles financiers traditionnels, par exemple la séparation des tâches. Le contrôle est essentiel, mais pour pouvoir l'exercer, les organisations doivent surveiller et analyser l'utilisations des opérations sur carte. Nous avons constaté qu'il y a place à l'amélioration à ces égards. En particulier, il est nécessaire d'avoir une meilleure information et d'avoir davantage recours aux outils électroniques pour moderniser le contrôle des cartes.

7.3 Les mesures dont nous disposons n'indiquent pas de pertes importantes pour le moment, mais la gravité et le nombre de problèmes pourraient s'accroître si les organisations ne renforcent pas le contrôle et n'échangent pas leurs meilleures pratiques. Il est temps que le gouvernement évalue le programme des cartes afin de déterminer les nouveaux risques et les processus de contrôle de gestion qui devraient être appliqués.

Le rendement des marchés



Vérificateur général adjoint : Shahid Minto Vérificateur responsable : Michael Weir

Chapitre 6 – Points saillants

6.1 En 1995–1996, le gouvernement a versé, à des fournisseurs de l'extérieur, environ 14,3 milliards de dollars (pour des biens, des services et des travaux de construction) pour six millions d'opérations d'achat distinctes touchant des milliers de gestionnaires de centres de responsabilité et de fournisseurs, par l'entremise de 93 ministères et organismes et de 2 000 spécialistes des achats.

6.2 Les partenaires du Canada dans le cadre d'accords commerciaux, les entreprises, les fonctionnaires nommés, les représentants élus et les citoyens de ce pays ont tous leur définition du terme « bon rendement des marchés ». Le processus d'attribution des marchés devient de plus en plus complexe.

6.3 Sur la foi de notre examen, il semble que, bien qu'il y ait de nombreux éléments valables sur lesquels on peut miser, il y a aussi beaucoup d'améliorations à apporter au rendement des marchés de l'État. Les conclusions que nous avons tirées sont suffisamment sérieuses et les problèmes sont suffisamment répandus et chroniques pour justifier qu'on porte, aux échelons supérieurs, plus d'attention à l'attribution des marchés qu'on ne l'a fait au cours des dernières années.

6.4 Certains aspects du rendement se sont détériorés à la longue et d'autres restent inférieurs aux attentes depuis des décennies. Le Conseil du Trésor n'a pas établi de normes de base, malgré la multiplicité des objectifs contradictoires.

6.5 Les contraintes qui empêchent d'améliorer l'attribution des marchés (et l'établissement de rapports plus honnêtes sur le rendement des marchés) sont complexes, existent depuis longtemps et sont solidement enracinées. En raison de la nature de ces contraintes, des différences entre les ministères et de l'état, les possibilités d'amélioration ne sont pas uniformes parmi les ministères (et même au sein de ces ministères) ou parmi les différentes catégories de biens et de services.

6.6 Le Conseil du Trésor et Travaux publics et Services gouvernementaux Canada ont mis en place les éléments essentiels d'un cadre visant à permettre aux ministères d'exercer une plus grande autonomie dans l'attribution des marchés. Toutefois, dans l'ensemble, il reste beaucoup à faire pour s'assurer que l'on comprenne, adopte et réalise ces objectifs dans les faits.

6.7 Pour continuer d'exercer, dans l'ensemble, un contrôle efficace sur les activités d'attribution des marchés, qui sont de plus en plus délégation doit s'appuyer sur une orientation fonctionnelle plus efficace et sur une plus grande visibilité des résultats et des décisions. Le Secrétariat du Conseil du Trésor doit :

- étudier de meilleures façons de gérer les tensions permanentes entre les responsabilités, les attentes et les pouvoirs des individus et des organisations;
- soumettre périodiquement au Parlement une meilleure évaluation stratégique d'ensemble du rendement des marchés et des priorités à ce titre, évaluation faisant état des progrès accomplis dans la réalisation des objectifs convenus.
- 6.8 Travaux publics et Services gouvernementaux Canada peut apporter son concours en offrant aux autres ministères des conseils et des compétences à caractère fonctionnel. Ce ministère doit aussi veiller à ce que l'information sur les marchés, adressée au Secrétariat du Conseil du Trésor et aux autres intervenants, soit ponctuelle, crédible et exempte d'erreurs importantes.

La communication de l'information sur le rendement dans le Système de gestion des dépenses



Vérificatrice générale adjointe : Maria Barrados Vérificateur responsable : John Mayne

Chapitre 5 - Points saillants

5.1 La communication de données sur la mesure dans laquelle les programmes fonctionnent bien est essentielle à la prise de décisions éclairées sur la façon de dépenser l'argent des contribuables et d'améliorer les programmes, et elle permet de démontrer au Parlement et aux Canadiens ce qu'ils obtiennent en contrepartie des impôts et des taxes qu'ils paient. Il est fréquent que ni le public, ni les députés, ni les gestionnaires n'aient ce genre de données. Trop souvent, l'information décrit les services fournis plutôt que leurs résultats.

5.2 Le gouvernement fédéral est en train de réorganiser son Système de gestion des dépenses, le mécanisme dont il se sert pour planifier ses dépenses futures, les budgétiser et les faire approuver par le Parlement. Les modifications sont de nature à inciter les ministères à élaborer une information de meilleure qualité pour aider les gestionnaires à offrir des programmes plus efficaces aux Canadiens et à informer le Parlement en temps plus opportun des résultats des activités qu'ils mènent. Certaines provinces canadiennes et quelques gouvernements étrangers ont déjà réalisé de grands progrès pour ce qui est de fournir à leurs assemblées législatives et à leurs étrangers une information de meilleure qualité sur le rendement des programmes gouvernementaux.

Des progrès ont été accomplis par plusieurs ministères et, à plusieurs reprises, nous avons constaté que l'information sur le rendement communiquée au Parlement répondait à bon nombre des aspects clés des rapports sur le rendement. Plus précisément, nous avons noté une amélioration en ce qui touche l'accent mis sur les résultats dans l'information. Mais, pour atteindre le plein potentiel, les ministères doivent décrire plus clairement et plus précisément le rendement attendu — c'est-à-dire selon des critères plus mesurables. L'information sur le rendement doit plus porter sur les avantages qu'en retirent les Canadiens. Cela prendra du temps.

Pour réaliser des progrès plus marqués, il faudra un leadership vigoureux de la part du Secrétariat du Conseil du Trésor et de la haute direction des ministères. Le Secrétariat du Conseil du Trésor a apporté des innovations positives en un court laps de temps, mais il doit rendre plus uniforme l'aide qu'il apporte aux ministères, et consigner et faire connaître les bonnes pratiques pour mesurer le rendement et en rendre comple.

5.5 Le rôle des comités permanents du Parlement est essentiel pour que les progrès se poursuivent. En effet, si les comités demandent de l'information sur les résultats des activités gouvernementales et utilisent manifestement cette information dans leurs délibérations, les ministères seront fortement incités à recueillir et à fournir l'information.

Le contrôle des mouvements transfrontaliers des déchets dangereux



Le commissaire à l'environnement et au développement durable : Brian Emmett Vérificateurs responsables : Dan Kubenstein et Wayne Cluskey

Chapitre 4 - Points saillants

- 4.1 L'objectif premier de cette vérification est de déterminer si Environnement Canada, de concert avec d'autres ministères fédéraux et les provinces, a établi un régime complet et efficace pour contrôler les mouvements transfrontaliers des déchets dangereux, conformément aux engagements internationaux du Canada.
- 4.2 Environnement Canada a bien amorcé l'établissement d'un régime efficace et complet de contrôle des mouvements transfrontaliers des déchets dangereux, mais des lacunes importantes persistent. Par exemple, Environnement Canada n'a pas encore établi la capacité nécessaire à la prévention proactive des expéditions illégales de déchets dangereux. À la frontière, peu de mesures sont prises pour déceler le trafic illicite de déchets dangereux.
- 4.3 Le Canada a l'obligation, en vertu d'accords internationaux qu'il a signés, de contrôler les exportations et les importations de déchets dangereux. La Direction générale des services frontaliers des douanes de Revenu Canada possède bien une infrastructure permettant le contrôle des importations de façon continue, mais son organisation opérationnelle ne permet pas un contrôle matériel de chacune des expéditions exportées.
- 4.4 Il existe de réelles incitations monétaires au trafic illicite, par exemple : le coût de traitement de la charge d'un camion de déchets licites va de 300 \$ à 1 200 \$ la tonne métrique.
- 4.5 Le taux de détection du trafic illicite des déchets dangereux à la frontière est faible : il se fait peu d'inspections et d'essais efficaces sur les échantillons des importations et des exportations qui risquent d'être illégales. Qui plus est, le taux de détection des expéditions illicites de déchets dangereux est encore plus faible dans les ports maritimes et les cours de triage ferroviaires.
- Dans un domaine comme le contrôle des mouvements transfrontaliers des déchets dangereux, la chaîne n'est jamais plus forte que son chaînon le plus faible. À notre avis, vu les lacunes importantes dans les domaines de la prévention, de la détection et de l'exécution ainsi que le nombre limité d'installations permettant le contrôle matériel des exportations de déchets dangereux, le Canada n'est pas en mesure de savoir jusqu'où il respecte ses obligations internationales en matière de prévention du trafic illicite à la frontière.

La gestion de la fonction comptable du gouvernement au niveau des organismes centraux



Vérificateur général adjoint : Ron Thompson Vérificateur responsable : John Hodgins

Chapitre 3 – Points saillants

- 3.1 La fonction comptable fournit de l'information essentielle à la gestion du gouvernement et à la communication des résultats financiers au Parlement, aux Canadiens et aux autres parties inféressées.
- Bien que les systèmes comptables soient désuets sur le plan technique, ils continuent de produire, pour le gouvernement, des états financiers annuels qui sont crédibles, compréhensibles et utiles. En fait, au cours de la dernière décennie, la fonction a connu des améliorations et des gains d'efficience importants qui, entre autres, ont placé le Canada à l'avant-garde sur la scène internationale pour ce type de rapport.
- 3.3 Cependant, la fonction comptable doit être dotée d'une meilleure capacité d'analyser et d'interpréter l'information financière l'année durant afin de prévoir les résultats financière de l'exercice et les chiffres budgétaires de l'exercice suivant.
- Pour répondre à ces besoins, le gouvernement modifie en profondeur sa fonction comptable en mettant en comptable. Nous sommes d'accord avec les changements entrepris dans le contexte de la Stratégie, mais nous pensons qu'il faut faire davantage.
- Plus particulièrement, nous pensons que le gouvernement devrait préparer et publier ses rapports financiers en temps plus opportun et envisager d'autres stratégies pour améliorer l'utilité et la crédibilité de ses rapports mensuels ou trimestriels.
- 3.6 Etant donné les changements importants en cours et prévus, nous continuons de croire que le gouvernement fédéral devrait fusionner tous les aspects de sa fonction de comptabilité centrale et prendre des mesures immédiates pour évaluer la capacité des services comptabilité d'exercice.
- 3.7 Le gouvernement a établi le Groupe de travail indépendant chargé de la modernisation de la fonction de contrôleur au sein du gouvernement du Canada. Le Groupe pourrait tenir compte de nos constatations et de nos recommandations dans ses travaux.

La gestion financière — L'élaboration d'un modèle de la capacité



Vérificateur général adjoint : Douglas G. Timmins Vérificateur responsable : Hugh A. McRoberts

Chapitre 2 – Points saillants

2.1 Le contexte dans lequel l'administration fédérale fonctionne aujourd'hui évolue rapidement. Les ressources limitées, la réduction des effectifs et la déstratification font qu'il est encore plus difficile pour l'administration fédérale de fournir des services aux contribuables canadiens. Dans ce contexte, la nécessité d'une gestion financière efficace s'impose plus que jamais. La gestion financière ontexte, la nécessité d'une l'atteinte des objectifs que s'est fixés l'administration fédérale, c'est-à-dire la réduction des coûts et l'amélioration de sa situation financière.

Malgré plusieurs commissions royales, vérifications, études et initiatives du Secrétariat du Conseil du Trésor au fil des ans, la gestion financière des organismes fédéraux demeure, à notre avis, prioritaire et exige une vigilance continue. Dans chaque rapport du vérificateur général, nous continuons d'observer et de signaler au Parlement des problèmes importants, dans un large éventail d'activités publiques, qui découlent d'une gestion financière déficiente.

Ces problèmes représentent, à notre avis, une source de préoccupation continue et soulèvent d'importantes questions au sujet de l'état de la gestion financière dans l'administration fédérale. Et parmi celles-ci, la question de savoir si nos observations représentent le type de lacunes propres à toute grande organisation ou si elles sont symptomatiques de problèmes plus systémiques de la gestion n'est pas la moindre. De plus, certains ministres continuent de manifester à notre bureau leur inquiétude et leur frustration au sujet du manque d'information financière appropriée pour étayer la prise de décisions stratégiques.

2.4 Le Bureau du vérificateur général s'est fixé, depuis longtemps, comme priorité stratéguque d'encourager l'amélioration de la gestion financière dans l'administration fédérale et de la compréhension du rôle que la gestion financière peut et doit jouer. C'est pour cette raison que nous avons entrepris cette étude de concert avec le Secrétariat du Conseil du Trésor. L'étude a pour objectif d'établir, à partir des travaux existants, un cadre moderne qui décrira les éléments essentiels d'une gestion financière efficace et qui servira de fondement pour évaluer l'état de la gestion financière dans les ministères et les organismes.

2.5 Ce chapitre est la première étape d'une étude visant à répondre aux besoins d'un cadre de gestion financière revitalisé. Il vise à servir de base aux discussions entre les organismes centraux, les ministères et notre bureau. Une fois terminée, l'étude servira de cadre convenu pour évaluer les capacités de la gestion financière et améliorer l'efficacité de la gestion financière dans l'administration fédérale.

2.6 L'initiative prise récemment par le Président du Conseil du Trésor d'établir un Groupe de travail indépendant chargé de la modernisation de la fonction de contrôleur dans l'administration fédérale est très encourageante. Le Bureau appuie les travaux du Groupe et tiendra compte des résultats de ses travaux dans son étude.

Le maintien d'une fonction publique compétente et efficiente



Vérificatrice générale adjointe : Maria Barrados Auteurs responsables : Alick Andrews et Otto Brodtrick

Chapitre 1 – Points saillants

- 1.1 L'efficacité de la fonction publique et l'efficience avec laquelle elle s'acquitte de ses fonctions sont cruciales pour la qualité de la régie et pour la santé économique, sociale et politique du pays.
- I.2 Environ 500 000 hommes et femmes occupent une forme ou une autre d'emploi au sein du secteur public fédéral; environ 207 000 d'entre eux formaient la fonction publique traditionnelle en mars 1996. La fonction publique fédérale est une institution aux prises avec la pression du changement et de l'adaptation : la pression exercée par les Canadiens, par le contexte politico-économique et par les défenseurs de la réforme administrative. Les participants à notre étude étude étaient tous convaincus de l'importance de mettre à profit les points forts du passé pour que le Canada aborde le XXI^e siècle, doté d'une fonction publique moderne et de classe mondiale.
- I.3 Il faut accorder une attention particulière au renouvellement et au rajeunissement de la main-d'oeuvre dans la fonction publique; à la résolution des problèmes de longue date dans la gestion des ressources humaines; à l'amorce d'un dialogue plus constructif sur le rendement et le partenariat; ainsi qu'à un leadership soutenu et à la détermination constante de progresser.
- I.4 Le défi de la fonction publique consiste à cerner et à combler les lacunes résultant des départs récents, de même qu'à se donner toute la capacité qu'il lui faut en ressources humaines pour répondre aux nouveaux impératifs et pour assurer sa vitalité future. Il faut trouver une solution aux problèmes associés à trois des plus importants systèmes de personnel. Divers moyens ont été pris pour les moderniser, mais il faut faire davantage.
- I.5 Il faut trouver de meilleurs moyens de combler les lacunes en matière de rendement administratif. Pour que la fonction publique soit efficace, il lui faut compter sur un Parlement et sur des médias qui peuvent discuter honnêtement des erreurs dans le contexte du rendement global.
- **1.6** Il faudra continuer de persévérer dans les efforts visant à relever ces défis. Il faudra amorcer d'autres échanges et débats sur l'importance et l'envergure futures de la fonction publique et sur les moyens organisationnels à prendre.

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L'éthique au gouvernement

Une valeur fondamentale qui sous-tend la démocratie est l'honnêteté du gouvernement. Notre bureau joue un rôle particulier en soutenant cette valeur depuis les premiers jours de la Confédération. J'estime que les gouvernements au Canada se comparent favorablement avec ceux de la plupart pas dire que nous pouvons nous reposer sur nos lauriers. La probité au gouvernement exige des contrôles financiers et des contrôles de gestion efficaces, mais, en définitive, elle repose sur l'éthique des personnes et sur une infrastructure de gestion qui appuie une éthique solide.

Bien que les constatations de notre chapitre de mai 1995 sur la sensibilisation à l'éthique et à la fraude au gouvernement aient été positives dans l'ensemble, le rapport montrait la nécessité d'agir pour maintenir une base d'éthique solide. Mous avons proposé un cadre d'éthique qui mettait l'accent sur un énoncé de principes, le leadership, l'habilitation des fonctionnaires pour qu'ils puissent agir dans l'intérêt public, la transparence dans la prise des décisions gouvernementales, la formation en éthique et un mécanisme de discussion et de communication des préoccupations en matière d'éthique.

Comme suite à notre rapport, le greffier du Conseil privé a créé un Groupe d'étude sur les valeurs et l'éthique dans la fonction publique, qui a préconisé un régime d'éthique semblable à celui que nous avons proposé. Le greffier a également fait ressortir l'importance de l'honnêteté et de l'intégrité dans ses rapports les plus récents au Premier l'intégrité dans ses rapports les plus récents au Premier l'intégrité aur la fonction publique. De plus, la Loi sur l'envegistrement des lobbyistes a été renforcée et exige maintenant que soient rendus publics les noms des personnes qui tentent d'influer sur la politique publique.

J'estime qu'il faut donner une impulsion vigoureuse à ces efforts pour maintenir la probité au gouvernement. Pour y contribuer, notre bureau effectuera un examen des réponses au rapport du Groupe d'étude. Nous prévoyons également effectuer des examens d'éléments particuliers du cadre d'éthique que nous avons proposé.

Pour connaître nos travaux de vérification connexes, voir le chapitre 1 de 1995, La sensibilisation à l'éthique et à la fraude au gouvernement.

Protection de l'assiette fiscule

Nous ne pouvons surestimer l'importance de protéger l'assiette fiscale, qui fournit les recettes dont a besoin le gouvernement pour offrir les services publics. Dans le passé, les parlementaires nous ont encouragés à continuer d'accorder une priorité aux travaux de vérification portant sur le régime fiscal.

Cette année, nous avons assuré le suivi des observations passées et avons jugé les résultats très encourageants. Nous pensons que les nombreux changements apportés aux systèmes, procédures et pratiques que nous avons observés ont renforcé l'administration du régime fiscal. Par exemple:

- Les décisions anticipées en matière d'impôt sur le revenu et les décisions et les interprétations sur la TPS sont diffusées plus largement.
- La perception de l'impôt sur le revenu, de la TPS, de la taxe d'accise et des droits de douane impayés est mieux intégrée, plus proactive et fondée de plus en plus sur une évaluation des risques de perte.
- Le Ministère dispose d'un plus grand nombre de données, qui sont de meilleure qualité, pour dépister ceux qui ont négligé de produire leur déclaration d'impôt sur le revenu ou de s'enregistrer pour la TPS.
- Certaines lacunes techniques importantes de la Loi de l'impôt sur le revenu ont été corrigées.

Ensemble, ces améliorations et d'autres renforcent l'assiette fiscale et améliorent l'équité du régime fiscal. Mais malgré cela, il reste encore \hat{a} :

- Améliorer la capacité de surveiller et d'évaluer le rendement du système de traitement des déclarations individuelles d'impôt sur le revenu.
- Améliorer la vérification des cotisations aux REER.
- Déposer plus rapidement certaines rentrées.
- Nous sommes convaincus qu'il faut s'occuper de ces questions et avons la conviction que Revenu Canada peut le faire.

Améliorer certaines procédures de tenue de livres.

Pour connaître nos travaux de vérification connexes, voir le chapitre 18 de 1997, Revenu Canada et le ministère des Finances – L'amélioration de l'administration du régime fiscal et des politiques commerciales : suivi de vérifications autériques

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Possibilités d'économies

Cette année, comme par les années passées, nous signalons plusieurs domaines où les ministères pourraient réaliser des économies, et nous avons donné plusieurs exemples :

- Le Rapport sur la Cour Jédérale du Canada et la Cour canadienne de l'impôt, publié en avril, faisait état d'une série d'améliorations nécessaires qui pourraient permettre des économies de 15 à 25 p. 100 sur les quelque 53 millions de dollars dépensés annuellement pour appuyer la fonction judiciaire des tribunaux.
- Dans le chapitre 21, Les services de déménagement d'articles de ménage au sein de l'administration fédérale, nous présentons des possibilités d'économiser 1,5 million de dollars sur les cinq millions de dollars consacrés annuellement à l'administration du déménagement des articles de ménage par le gouvernement.
- Dans le chapitre 31, Revenu Canada Le régime de gestion financière, nous cernons des possibilités de générer, chaque année, plusieurs millions de dollars en recettes d'intérêts grâce au dépôt plus rapide des fonds reçus des contribuables.

De plus, dans un certain nombre de nos rapports de vérification, nous faisons état de possibilités de réduire les dépenses ou d'utiliser les ressources existantes plus efficacement, mais qui sont plus difficiles à quantifier. Par nous avons conclu que beaucoup d'améliorations s'imposaient en la matière de sorte que le gouvernement s'imposaient en la matière de sorte que le gouvernement s'imposaient en la matière de sorte que le gouvernement s'imposaient une meilleure valeur des montants qu'il verse l'Améliards de dollars en 1995–1996.

Dans le chapitre 12, Les technologies de l'information — La préparation à l'an 2000, nous faisons observer que si les problèmes liés à l'an 2000 ne sont pas réglés de toute urgence, le gouvernement court le risque que les coûts augmentent de façon significative et que des erreurs ou des défaillances des systèmes se produisent.

Mos vérifications des systèmes en développement, dans le domaine des technologies de l'information, continuent à cerner des possibilités d'économies importantes grâce à l'amélioration des pratiques de gestion. Cette année, dans le chapitre 23, Les systèmes en développement — Prendre la situation en main, nous constatons que les pratiques de gestion des projets internes doivent être améliorées afin de réduire les risques de retard et de dépassement des coûts.

La possibilité de faire de la fonction de contrôleur une réalité

La gestion financière joue un rôle essentiel en contribuant à l'atteinte des objectifs du gouvernement, à savoir réduire les coûts et améliorer sa situation financière. Malgré de nombreuses initiatives visant à améliorer les compétences en gestion financière au cours des 25 dernières années, les progrès demeurent lents. Par exemple, les fonctionnaires reconnaissent facilement que les systèmes financiers actuels sont déficients à de nombreux égards. Et, comme nous l'indiquons dans un certain nombre de rapports de l'indiquons cette année, les décideurs sont bien souvent incapables d'évaluer les conséquences financières de leurs décisions.

Il importe plus que jamais que les principes inhérents au contrôle de gestion soient intégrés aux fonctions de chaque gestionnaire. La fonction de contrôleur suppose bien financière. Elle suppose plus particulièrement la capacité de faire le lien entre les coûts engagés et les résultats obtenus, ce qui est un aspect fondamental de la planification et des rapports sur le rendement dans le contexte du Système de gestion des dépenses révisé.

En octobre de cette année, le rapport du Groupe de travail indépendant chargé de la modernisation de la fonction de contrôleur dans l'administration fédérale a été rendu public. Mous sommes d'accord avec le Groupe de travail sur la nécessité de renforcer la fonction de contrôleur et pensons que le rapport donne au gouvernement une bonne occasion de régler ce problème de longue date. Pour cela, il faut l'appui continu des échelons supérieurs – tant au niveau politique qu'au niveau bureaucratique. Sans cela, on n'obtiendra que des améliorations techniques négligeables de la gestion financière et de la fonction de contrôleur. Somme toute, des fonctions plus solides ne seront jamais mises en toute, des fonctions plus solides ne seront jamais mises en toute, des ministres et les sous-ministres n'en font pas la demande.

Pour connaître nos travaux de vérification connexes, voir le chapitre 2 de 1997, La gestion financière – L'élaboration d'un modèle de la capacité; le chapitre 3 de 1997, La gestion de la fonction comptable du gouvernement au niveau des organismes centraux; le chapitre 9 de 1997, Affaires étrangères et Commerce international Canada – La gestion et le contrôle financiers; le chapitre 31 de 1997, Revenu Canada — Le régime de gestion financière.

Réduire les risques que posent la privatisation et la commercialisation

On assiste à une tendance mondiale, dans le secteur public, à céder de plus en plus d'activités au secteur privé. Dans le contexte canadien, la vente récente du Groupe.

Communication Canada (GCC) et la commercialisation du système de navigation aérienne sont d'importants exemples de cessions que nous avons vérifiées cette année. Ces deux initiatives, tout comme l'expérience d'autres pays, offrent des leçons essentielles en vue des prochaines privatisations et commercialisations.

L'une des leçons qui est peut-être la plus valable est la nécessité d'établir une méthode rigoureuse et systématique permettant d'assurer que l'on obtient la valeur marchande appropriée de l'entité cédée. D'après mon expérience dans le secteur privé, je crois que la meilleure façon de le faire est d'exiger des évaluations en bonne et due forme de conseillers financiers indépendants et de veiller à ce que les transactions soient bien documentées. Si l'on instaurait ce processus dans le secteur public, je pense que les intérêts des contribuables et du gouvernement seraient mieux protégés.

L'expérience internationale montre, et l'initiative du GCC l'illustre, que les risques inhérents aux cessions sont moindres quand le processus est réalisé en deux phases. Dans une telle approche, l'activités qui doit être cédée est tout d'abord séparée des activités gouvernementales pour devenir une entité appartenant au gouvernement.

Les initiatives offrent une autre leçon importante – les transactions doivent être transparentes et des comptes doivent être rendus au Parlement. Actuellement, le gouvernement n'est pas tenu de rendre compte au Parlement des résultats de chaque cession, ni de donner un tableau complet des coûts et des produits de la transaction. Nos vérifications de ces initiatives montrent que cela est absolument nécessaire.

Pour connaître nos travaux de vérification connexes, voir le chapitre 19 de 1997, Transports Canada – La commercialisation du système de navigation aérienne; le gouvernementaux Canada – La privatisation du Groupe Communication Canada.

Mettre l'accent sur les résultats plutôt que sur les intrants et les processus

Le nouveau Système de gestion des dépenses – de même que d'autres initiatives récentes du gouvernement fédéral en matière de gestion – s'appuie sur l'idée que les ministères devraient fixer pour les programmes des objectifs de rendement clairs, mesurer leur rendement et en rendre programmes. En bref, cela veut dire mettre davantage l'accent sur les résultats. C'est loin d'être une idée nouvelle, mais ce n'est qu'au cours des dernières années qu'elle a suscrité beaucoup d'intérêt dans le secteur public, ici et dans d'autres pays.

Ces initiatives gouvernementales ne réussiront que si les résultats deviennent l'aspect essentiel de ce que font les ministères, depuis les fonctions de première ligne jusqu'au sommet. Les résultats ne peuvent être uniquement l'affaire des planificateurs et des évaluateurs de programme. C'est l'une des leçons clés que nous avons apprises cette année lorsque nous avons examiné les organisations fédérales qui ont adopté avec succès la gestion axée sur les résultats.

Dans ces organisations, l'obstacle le plus grand s'est révélé être la nécessité d'un changement de culture important, plutôt que les aspects techniques de la mesure des conséquences des programmes. Au fil des ans, les gestionnaires ont surtout été tenus de rendre compte des intrants et des processus. Changer des pratiques et des incitatifs de longue date prend du temps et exige un leadership vigoureux et persévérant.

Je juge encourageant d'entendre de plus en plus les sous-ministres parler d'adopter dans leurs organisations une gestion axée sur les résultats. Les organisations fédérales ont encore beaucoup à faire, mais l'expérience ici et ailleurs montre que cela est possible et que cela fonctionne.

Pour connaître nos travaux de vérification connexes, voir le chapitre 5 de 1997, La communication de l'information sur le rendement dans le Système de gestion axée sur les résultats.

Annexe du chapitre : d'autres questions récentes et qui posent toujours problème

Le Secrétariat du Conseil du Trésor doit jouer un rôle actif en matière de technologies de l'information

Depuis un certain nombre d'années, nous manifestons de l'inquiétude devant le fait que les grands projets de technologie de l'information posent des risques importants qui ne sont pas gérés adéquatement. Nous estimons que les projets prévus ou en cours pourraient bien coûter plus de cinq milliards de dollars. Dans tous les projets que nous avons vérifiés, à part quelques exceptions, nous avons constaté des lacunes dans la gestion des projets et la gestion des risques, qui ont entraîné des dépassements budgétaires importants, des retards sérieux, des résultats inacceptables et des échecs occasionnels.

En règle générale, je pense que les ministères, dont bon nombre comptent parmi les organisations les plus vastes du pays, devraient être en mesure de gérer leurs propres affaires. Dans certains domaines, telle la gestion des ressources humaines, les contrôles centraux restrictifs constituent une entrave inutile.

Cependant, les grands projets de technologie de l'information font exception à cette règle : on ne peut pas s'attendre à ce que tous les ministères aient les compétences spécialisées nécessaires pour gérer ces projets complexes et à risque élevé. Je pense que le Secrétariat du Conseil du Trésor doit jouer un rôle plus actif dans ces projets, après que les fonds ont été approuvés, en surveillant plus étroitement leur état d'avancement et en informant les ministres du Conseil du Trésor lorsque les risques que posent les projets sont insacceptables.

Il s'impose de clarifier et de revoir le rôle que joue le Secrétariat en matière de technologies de l'information et dans d'autres domaines dont il est responsable. De fait, le sperotatiat lui-même est en train de réévaluer son rôle et son approche générale. Les parlementaires et d'autres parties intéressées devraient participer à ces délibérations en raison de l'incidence importante qu'elles pourraient avoir sur l'incidence importante qu'elles pourraient avoir sur l'administration fédérale et la reddition de comptes.

Pour connaître nos travaux de vérification connexes, voir le chapitre 23 de 1997, Les systèmes en développement – Prendre la situation en main; le chapitre 16 de 1996, Le services gouvernementaux à l'aide des technologies de l'information; le chapitre 24 de 1996, Les systèmes en dèveloppement — Obtenir des résultats.

broche 1/6chéance de l'an 2000 est dangereusement

Je suis de plus en plus inquiet de la menace que le problème de « l'an 2000 » pose pour les systèmes informatiques du gouvernement dont nous sommes fortement dépendants. En l'année par un code à deux chiffres, les systèmes qui ne seront pas modifiés à temps pourraient mal fonctionner ou tomber en panne au début de l'an 2000.

Le chapitre 12 de 1997 porte sur les risques que le gouvernement court en raison de la menace posée par l'an 2000. Nous avons conclu que, au moment de la vérification, les progrès étaient généralement lents, ce qui veut dire que de nombreux systèmes informatiques importants pourraient ne pas être adaptés à temps. Je crains fort que les programmes et les services publics soient à risque.

L'an 2000 approche à grands pas. Nous devons accorder une priorité élevée aux projets de l'an 2000 et accélérer le rythme. C'est un travail laborieux et d'autres priorités devront peut-être être mises de côté. Pour y parvenir, il faut l'angagement et l'appui soutenus de la haute direction. Les ministres et les députés peuvent aider en soutenant les efforts déployés en vue de l'an 2000 dans l'administration fédérale et en appuyant la haute direction lorsqu'elle aura à surmonter en appuyant la haute direction lorsqu'elle aura à surmonter des obstacles.

Pour connaître nos travaux de vérification connexes, voir le chapitre 12 de 1997, Les technologies de l'information — La préparation à l'an 2000.

et il n'y a guère eu d'époque où la nécessité de maintenir des institutions nationales solides ait été aussi importante.

Il incombe à chacun d'entre nous de saisir les possibilités qui s'offrent à lui et d'imprimer une marque durable. Il faut nous soucier de l'incidence des mesures que nous prenons, sur les années actuelles et sur celles à venir. Grâce à ces mesures, nous préparerons le Canada à entrer dans le XXI^e siècle.



compte de leur rendement, comme l'ont fait d'autres administrations telles que les États-Unis, la Nouvelle-Zélande, l'Australie-Occidentale et la province de l'Alberta.

Au fur et à mesure que les parlementaires utiliseront davantage l'information sur le rendement, ils jugeront peut-être utile que notre bureau leur fournisse une forme quelconque d'assurance sur la fidélité et la fiabilité de l'information communiquée par les ministères. Je fournirai, chaque année, une telle assurance sur les rapports sur le rendement de la nouvelle Agence canadienne d'inspection des aliments.

Pour obtenir de l'information connexe, voir le chapitre 5 de 1997, La communication de l'information sur le rendement dans le Système de Bestion des dépenses; le chapitre 11 de 1997, Vers une gestion axée sur les résultats; le chapitre 14 de 1997, l'Atlantique; le chapitre 15 de 1997, Pêches et Océans Canada – Rationalisation et renouvellement : le poisson de fond de l'Atlantique; le chapitre 16 de 1997, renouvellement des ressources humaines Canada – La Stratégie du poisson de fond de l'Atlantique.

Conclusion

Les parlementaires ont un certain nombre de rôles importants à jouer dans la surveillance des changements en cours dans l'administration fédérale –

comme défenseurs de l'amélioration des programmes gouvernementaux et de la qualité du service, comme protecteurs de la reddition de comptes au Parlement et au public canadien et comme gardiens de l'intérêt public et des fonds publics.

Les membres de la 36º législature sont probablement les derniers avec qui je traiterai en qualité de vérificateur général. De fait, comme mon mandat de dix ans se termine en 2001, nos mandats se termineront probablement en même temps. J'ai établi cinq secteurs prioritaires où je veux que mon bureau produise des résultats positifs d'ici à l'an 2001. Dans mes efforts en ce sens et dans mes autres travaux, j'espère maintenir d'étroites relations de travail avec les parlementaires et les comités permanents.

Nous vivons à une époque stimulante pour nous tous. De fait, nous avons rarement eu autant d'occasions de produire une différence dans l'administration publique

Mes priorités sont les suivantes:

- I. Aider à améliorer la situation financière du gouvernement, en :
- fournissant de l'information utile et en encourageant le gouvernement à en faire autant;
 favorisant l'amélioration de l'efficacité des
- décelant des possibilités d'économies dans
- les activités gouvernementales. 2. Susciter l'avancement réel des concepts redditionnels et améliorer les pratiques
- redditionnelles dans l'administration fédérale.

 3. Influer sur la qualité de la gestion financière dans l'administration fédérale.
- 4. Susciter les changements nécessaires à la fonction publique.
- 5. Établir pleinement le rôle du commissaire à l'environnement et au développement durable.

explique de façon claire et concise ce que les ministères entendent faire, ce qu'il en coûtera, quels résultats ils comptent obtenir et quels résultats ils ont réellement obtenus. L'absence d'information sur les résultats est un problème chronique, que je signale régulièrement.

Dans le cadre des efforts déployés pour réviser le Système de gestion des dépenses, le gouvernement a expérimenté diverses façons d'améliorer l'information communiquée au Parlement. J'appuie ces changements et j'ai été heureux de constater que le Projet d'amélioration des rapports au Parlement, après une phase d'essai réussi, a été étendu à tous les ministères cet automne.

Cabinet sur les priorités, qui ont lieu à l'été. que les comités puissent influer sur les délibérations du ministériels soient déposés au printemps, à temps pour de crédits du printemps suivant, et que les plans l'orientation des décisions budgétaires et des demandes temps pour que les comités puissent influer sur rendement des ministères soient déposés à l'automne, à tenu compte en exigeant que les rapports sur le la réforme du Système de gestion des dépenses, on en a par le processus d'étude du Budget des dépenses. Dans l'occasion d'influer sur les décisions du gouvernement trouver, dans un gouvernement où le Cabinet est fort, plus vexante est la difficulté pour les parlementaires de affaires de la Chambre le laisse entendre, une question Comme le Rapport du Comité de la procédure et des Budget des dépenses plus utile aux parlementaires. des facteurs qui peuvent rendre le processus d'étude du Mais de l'information de meilleure qualité n'est qu'un

Il incombe maintenant aux parlementaires de faire savoir si l'information communiquée répond à leurs besoins. S'ils insistent pour obtenir de l'information sur les résultats des activités gouvernementales et utilisent

visiblement cette information dans leurs travaux, ils inciteront fortement les ministères à recueillir de l'information et à la communiquer.

Il conviendrait peut-être de faire de ces exigences une caractéristique permanente du processus d'étude des crédits. Cela pourrait prendre diverses formes, y compris l'adoption d'une loi exigeant des ministères qu'ils rendent

La crise des pêches de l'Atlantique : pourquoi la communication d'information sur le rendement compte-t-elle

Le peu de succès des programmes visant à résoudre les problèmes des pêches du poisson de fond de vasle : comment les parlementaires peuvent-ils savoir si les programmes gouvernementaux fonctionnent réellement?

Beaucoup trop souvent, les seules sources d'information du Parlement sont les médias, les études des groupes de réflexion, les relations avec les groupes d'intérêt et les électeurs, les études internes du gouvernement rendues publiques aux termes des demandes d'accès à l'information, ou nos rapports de vérification.

Tout aussi valables qu'elles soient, ces sources ne remplacent pas l'information que le gouvernement est tenu de communiquer au Parlement aux fins de le reddition de comptes. Si l'on prend par exemple la Stratégie du poisson de fond de l'Atlantique, il l'on ne dépense pas 1,9 milliard de dollars sans rendre compte au Parlement des résultats obtenus et des leçons que l'on peut en tirer pour les futurs des leçons que l'on peut en tirer pour les futurs des leçons que l'on peut en tirer pour les futurs d'information sur les résultats de la Stratégie.

Les évaluations de programme, de bons rapports sur le rendement et de l'information du même type ne résoudront pas en soi les problèmes complexes, comme ceux des pêches de l'Atlantique. Mais ils constituent des outils essentiels dans une première étape visant la recherche de solutions – pour comprendre la nature et l'étendue véritables du problème et savoir si les méthodes actuelles fonctionnent.

au public quant à l'importance accordée à ce domaine stratégique et à notre capacité de concrétiser nos bonnes intentions en une action efficace.

Pour obtenir de l'information connexe, voir le Rapport du commissaire à l'environnement et au développement durable de 1997; le chapitre 4 de 1997, Le contrôle des mouvements transfrontaliers des déchets dangereux; le chapitre 10 de 1997, Ressources naturelles Canada – L'efficacité énergétique; le chapitre 14 de 1997, Ressources naturelles Canada – Un cadre pour la pêche durable : le poisson de fond de l'Atlantique; le chapitre 15 de 1997, Pêches et Océans Canada – La Stratégie du poisson de 1997, Développement des ressources humaines Canada – La Stratégie du poisson de Jond de l'Atlantique; le chapitre 24 de 1997, Reviculture et Agroalimentaire 16 canada – Administration du rétablissement agricole des Prairies; le chapitre 16 canada – Administration du rétablissement agricole des Prairies; le chapitre 27 de 1997, Environnement Canada : Protection de la couche d'ozone : le parcours inachevé; le chapitre 28 de 1997, Pêches et Océans Canada – Le saumon du pacifique : la durable du Bureau du vérificateur général.

Moyens d'améliorer les choses

Les parlementaires jouissent d'un éventail de moyens pour imprimer leur marque sur la gestion des affaires publiques. Le processus législatif est un de ces moyens : quand un nouveau programme est présenté, les parlementaires peuvent se demander si les organisations gouvernementales en question ont les compétences et les ressources pour appliquer la loi proposée. Un autre de ces moyens est la capacité des comités de convoquer des audiences sur n'importe quel aspect de la gestion des affaires publiques dans leur domaine d'intérêt.

L'un des meilleurs moyens dont disposent les comités pour examiner la gestion des affaires publiques est peut-être l'un des plus anciens qui existent – l'étude par le Parlement du Budget des dépenses annuel du gouvernement. Pour un certain nombre de raisons, c'est un moyen qui a été sous-utilisé. Selon la conclusion du Soixante-quatrième Rapport du Comité permanent de la procédure et des affaires de la Chambre déposé cette année, « le caractère inadéquat de l'étude des comités concernant le Budget des dépenses devient aussi évident que désolant ». Le Rapport présente des suggestions utiles sur la façon dont le Parlement pourrait utiliser plus efficacement le processus d'étude du Budget des dépenses le processus d'étude du Budget des dépenses.

Je soutiens depuis longtemps que l'un des facteurs qui empêchent les parlementaires de mieux utiliser le processus d'étude du Budget des dépenses est que le gouvernement ne leur fournit pas de l'information adéquate. Compte tenu des nombreuses demandes conflictuelles qui leur sont faites et vu la taille et la complexité de l'administration fédérale, les parlementaires ont besoin d'information qui réponde précisément à leurs besoins et qui

concentrerais mes travaux. L'environnement et le développement durable modèleront non seulement notre avenir immédiat mais également celui que nous laisserons en héritage aux générations futures de Canadiens. Le défi consiste à aller au-delà de la rhétorique du développement durable et à le mettre en oeuvre de façon pratique.

Depuis, notre capacité de régler les problèmes liés à l'environnement et au développement durable a augmenté énormément. En 1995, la 35^e législature a modifié la Loi sur le vérificateur général pour fournir aux parlementaires et au public un nouveau jeu d'outils pour évaluer le rendement du gouvernement fédéral dans la gestion des questions liées à l'environnement et au développement durable.

- L'Environnement s'ajoute à l'économie, à l'efficience et à l'efficacité et devient le quatrième « E » que notre bureau considère pour déterminer les questions à signaler à la Chambre des communes.
- Vingt-quatre ministères et organismes fédéraux sont tenus de préparer des stratégies de développement durable et de les soumettre pour dépôt à la Chambre des communes d'ici le 15 décembre 1997.
- Le poste de commissaire à l'environnement et au développement durable a été créé au sein de notre bureau et a pour mandat d'examiner les stratégies de développement durable des ministères et d'en rendre compte, et d'étudier d'autres questions qui devraient être signalées au Parlement.

Le commissaire a présenté son premier rapport au Parlement en mars de cette année. Le rapport faisait ressortir trois préoccupations principales au sujet du rendement environnemental du gouvernement fédéral au cours de la dernière décennie: l'écart entre les promesses et la réalité, car le rendement du gouvernement fédéral ne correspond généralement pas à ses objectifs énoncés; le correspond généralement pas à ses objectifs énoncés; le

manque de coordination et d'intégration entre les ministères et entre les administrations; et les lacunes de l'examen du rendement et de l'information communiquée au Parlement.

La façon dont ensemble, nous utiliserons les nouveaux outils pour évaluer le rendement du gouvernement enverra un message puissant aux ministères et

La crise des pèches de l'Atlantique : pourquoi le développement durable est-il aussi important

Une vérité toute simple réside au coeur du concept du développement durable: un déséquilibre ne peut se poursuivre indéfiniment. La crise des pêches de qui survient quand les programmes gouvernementaits aurvient quand les programmes gouvernementaits aurvient durable du point de vue environnemental, social et économique.

l'Atlantique. la conservation des stocks de poisson de fond de pêches, il reste encore beaucoup à faire pour assurer été apportées à certaines activités de gestion des de l'aide fédérale. Bien que des améliorations aient secteur de la pêche et à continuer d'être tributaires soit d'encourager les gens à demeurer dans le l'Atlantique pourrait bien avoir eu l'effet contraire, becues - la Stratégie du poisson de fond de beaucoup trop de gens dépendent toujours des à réduire la surcapacité de pêche. En outre, l'Atlantique. Cependant, on n'a pas vraiment réussi problèmes des pêches du poisson de fond de sept dernières années pour tenter de résoudre les l'Atlantique, ont été dépensés au cours des termes de la Stratégie du poisson de fond de de dollars, y compris 1,9 milliard de dollars aux expliquent en détail comment plus de trois milliards Les chapitres 14 à 16 de notre rapport d'octobre

Après des milliards de dollars, l'histoire se résume ainsi : beaucoup trop de bateaux, beaucoup trop de personnes qui dépendent de la pêche du poisson de fond et bien trop peu de poisson. C'est une situation qui n'est manifestement pas viable.

pour défrayer les dépenses et l'utilisation accrue par le gouvernement des frais d'utilisation.

Les préoccupations au sujet de la difficulté que cela pose pour le contrôle et l'examen parlementaires sont loin d'être nouvelles : notre bureau et d'autres en ont fait état à maintes reprises.

Ces questions viennent tout particulièrement à-propos étant donné la publication, à la fin de la dernière législature, du Soixante-quatrième Rapport du Comité permanent de la procédure et des affaires de la Chambre, intitulé L'étude des crédits: Boucler la boucle du contrôle. Comme l'a fait remarquer le du Parlement pour l'aider à examiner ces diverses du Parlement pour l'aider à examiner ces diverses recettes et dépenses ont été améliorés sensiblement - c'est le thème que je développe ci-après.

Le Rapport présente une série de recommandations visant à améliorer davantage l'information communiquée au Parlement sur les dépenses autres que les crédits annuels, et à renforcer la capacité du Parlement de les examiner régulièrement. Il convient tout particulièrement de noter la recommandation voulant que les dépenses législatives et fiscales soient explicitement soumises à un examen parlementaire périodique. Le Comité demande également que soit périodique. Le Comité demande également que soit périodique. Le Comité demande également que soit

Le recours accru aux frais d'utilisation

Pour faire face aux restrictions budgétaires, le gouvernement applique de nouveaux frais d'utilisation, qui ont rapporté 3,8 milliards de dollars au total en 1995-1996.

Les vérifications récentes effectuées par notre bureau ont fait ressortir des faiblesses dans l'application des frais d'utilisation. Par exemple, nous avons constaté que, généralement, les systèmes comptables ne sont pas conçus pour fournir l'information sur le prix de revient nécessaire pour justifier les frais d'utilisation demandés.

La tendance au recouvrement des coûts soulève d'importantes questions pour le Parlement. Les ministères ont-ils réduit le plus possible leurs coûts avant de demander aux utilisateurs de payer? Les répercussions financières et socio-économiques des frais d'utilisation et leur incidence sur la concurrence, tant à court terme qu' à long terme, ont-elles été considérées? Existent-ils des mécanismes de recours adéquats pour les parties intéressées?

Et ce qui est peut-être la question la plus importante pour les parlementaires : le Parlement possède-t-il l'information dont il a besoin pour surveiller cette tendance?

Soumettre ces divers flux monétaires à un examen régulier et en bonne et due forme du Parlement constituerait une mesure importante pour renforcer le rôle que ce dernier joue en tenant le gouvernement comptable.

renforcée l'évaluation de programme pour les dépenses législatives, comme

je l'avais recommandé dans le passé. Ces suggestions méritent d'être

considérées sérieusement par le nouveau Parlement.

Pour connaître nos travaux de vérification connexes, voir le chapitre 5 de 1997, La communication de l'information sur le rendement dans le Système de Bestion des dépenses; le chapitre 3 de 1996, L'évaluation au gouvernement fédéral; le chapitre 24 de 1995, Les fonds renouvelables dans le régime parlementaire: Gestion financière, responsabilisation et vérification.

Question 5 : Le développement durable – concrétiser les paroles

Peu après être devenu vérificateur général en 1991, j'ai décidé que l'environnement serait l'une des questions essentielles sur lesquelles je

De l'information de bonne qualité est essentielle pour favoriser un débat sain sur les choix de politiques publiques qui devront être faits. L'Institut Canadien des Comptables Agréés (ICCA) vient de réaliser une étude recommandant aux gouvernements de rendre compte de l'état de leurs finances à l'aide d'un jeu de dix indicateurs. Ces indicateurs portent sur trois dimensions importantes de l'état des finances : la viabilité du fardeau de la dette, la souplesse ou la latitude qu'a le gouvernement d'augmenter ses aux forces sur lesquelles le gouvernement n'exerce pas d'influence. L'étude démontre que l'état des finances est bien plus que la situation financière du démontre que l'état des finances est bien plus que la situation financière du c'est ce que l'état des finances est bien plus que la situation financière du c'est ce que j'ai recommandé dans le chapitre de 1992 sur les questions c'est ce que j'ai recommandé dans le chapitre de 1992 sur les questions d'une importance particulière.

En mettant l'accent sur la viabilité, la souplesse et la vulnérabilité de l'état des finances du gouvernement, je pense que l'utilisation des indicateurs établis par l'ICCA peut mieux nous aider à comprendre l'état véritable des finances du gouvernement et à débattre de façon plus éclairée des choix de politiques publiques qui s'offrent à nous en tant que Canadiens.

Pour connaître nos travaux de vérification connexes, voir le chapitre 9 de 1995, Information destinée au Parlement – Les déficits et la dette : Pour comprendre les choix.

Question 4 : Moderniser l'examen parlementaire de tous les champs d'activité de l'administration fédérale

La complexité accrue des activités de l'administration fédérale au cours des dernières décennies s'est accompagnée d'une multiplication des types de rentrées et de sorties de fonds. Il est donc important de continuer de moderniser la capacité du Parlement d'examiner et de contrôler tous les champs d'activité de l'administration fédérale.

Le fondement traditionnel de l'examen par le Parlement des dépenses est l'étude des crédits annuels. Pourtant, les crédits annuels en sont venus à ne représenter que la « pointe de l'iceberg » en matière de dépenses du gouvernement. Les dépenses législatives, c'est-à-dire les fonds approuvés aux termes d'autorisations législatives précédentes et, par conséquent, non votés lors de l'étude des crédits annuels, représentent 66 p. 100 des dépenses fédérales (106 milliards de dollars en 1996–1997). Il ne reste donc que 34 pp. 100 des crédits (55 milliards de dollars en 1996–1997) qui sont votés annuellement. Il existe d'autres flux monétaires importants, mais moins évidents, comme les dépenses fiscales (estimées à des dizaines de milliards évidents, comme les dépenses fiscales (estimées à des dizaines de milliards de dollars par année), le financement de programmes par l'emploi de recettes de dollars par année), le financement de programmes par l'emploi de recettes

situation financière du gouvernement dans son ensemble. certainement louables, mais il demeure tout aussi important de surveiller la de l'OCDE. Les progrès réalisés dans la lutte contre le déficit sont tant en regard des normes historiques qu'en comparaison avec les autres pays

démographique sans désavantager les jeunes. mettront à rude épreuve notre capacité de nous adapter à l'évolution de santé. Notre niveau d'endettement et le niveau actuel d'imposition les dépenses publiques dans les domaines de la sécurité sociale et des soins publics, mais bon nombre d'entre elles le feront, exerçant des pressions sur personnes âgées ne dépendront pas des régimes de retraite et des services d'augmenter fortement au cours des prochaines décennies. Toutes les personnes âgées à la population active canadienne est susceptible à long terme pour l'état des finances du gouvernement. Le ratio des Le vieillissement de la population canadienne posera un défi incontournable

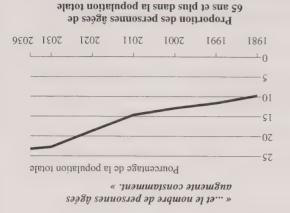
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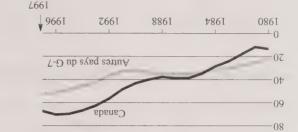
« Le déficit est en baisse... »

Déficit fédéral au PIB (selon les comptes publics)

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Pourcentage du PIB





les normes historiques et les normes nolos odvolo ette demeure elevée selon »

« ... səlnnoitanrətni

gouvernement change

La situation financière du

Source: Ministère des Finances, Statistique Canada et OCDE

Dette nette au PIB (selon les comptes nationaux)

Pourtant, nos travaux de vérification laissent supposer que la fonction publique est une institution en proie à un stress considérable. Tout particulièrement, il faut en rajeunir et renouveler l'effectif et régler les problèmes de longue date dans la gestion des ressources humaines qui

exigent des changements législatifs et administratifs. Ce ne sont pas des problèmes nouveaux : d'autres et moi-même les avons soulevés dans le passé mais les mesures prises pour les résoudre ont été insuffisantes. L'un des obstacles réels à la solution de ces problèmes est qu'un certain nombre d'organismes en sont conjointement responsables centralement, dont la Commission de la fonction publique, le Secrétariat du Conseil du Trésor et le Bureau du Conseil privé.

Bon nombre de fonctionnaires ont exprimé des inquiétudes semblables au sujet de la situation de la fonction publique, y compris le greffier du Conseil privé, qui a affirmé ce qui suit : « Pour être efficace, le secteur public doit constamment retenir et motiver ses

effectifs talentueux et dévoués. Tout indique que ce pourrait être là le plus grand défi qu'aura à relever la fonction publique du Canada au cours des prochaines années. » Elle a qualifié cela de « crise tranquille ».

Le greffier a lancé une initiative appelée La Relève pour s'attaquer à ces problèmes. Les parlementaires peuvent jouer un rôle important en veillant à ce que des mesures soient prises pour résoudre adéquatement les nombreux problèmes auxquels la fonction publique fait face. L'un des moyens de le faire, comme l'a recommandé le Comité permanent de la Chambre sur les opérations gouvernementales dans son Troisième Rapport déposé à la fin de la dernière législature, est de surveiller régulièrement le processus de renouvellement pour vérifier si l'on progresse.

Pour connaître nos travaux de vérification connexes, voir le chapitre 1 de 1997, Le maintien d'une fonction publique compétente et efficiente; le chapitre 5 de 1996, La réforme de la classification et de l'évaluation des postes dans la fonction publique.

Question 3: Il demeure important de surveiller l'état des finances du gouvernement

Devant la spéculation qui va bon train au sujet d'un prochain « dividende financier », il est important de surveiller de près l'état des finances du gouvernement fédéral. Les chiffres montrent que, si la lutte contre le déficit est sur le point d'être gagnée, la dette demeure une préoccupation profonde. L'importance de la dette par rapport à la taille de l'économie demeure élevée,

Les systèmes du personnel font obstacle

Après des années d'efforts interrompus et puis repris pour rationaliser les systèmes du personnel de l'administration fédérale, ceux-ci comptent toujours:

- plus de 12 000 pages de règles et de lignes directrices;
- 70 000 règles régissant la paie uniquement.

Alors même qu'il faut relever des défis énormes pour retenir, motiver, perfectionner et attirer les bonnes personnes, nous avons des systèmes qui font obstacle. Se libérer de ces systèmes semble être une des raisons qui expliquent l'intérêt de créer de nouveaux organismes.

d'intérêt public et, dans de nombreux cas, les organisations continueront de nécessiter des fonds publics considérables.

Par le passé, les parlementaires se sont demandé, à juste titre, comment le principe fondamental de la reddition de comptes au Parlement sera maintenu dans ces nouvelles structures. Les parlementaires continueront-ils d'être en mesure d'interroger les ministres sur ces activités? Comment les Canadiens et les parlementaires auront-ils l'assurance que l'intérêt public est protégé?

Ces nouveaux mécanismes peuvent procurer des avantages importants, mais on doit veiller suffisamment à la reddition de comptes. Dans de nombreux cas, on s'attache avec le soin voulu à définir clairement les rôles et les responsabilités, à établir des objectifs clairs et à exiger des rapports complets et honnêtes sur les résultats obtenus – c'est-à-dire à mettre en place les éléments essentiels de la reddition de comptes. Cependant, l'expérience acquise ailleurs, par la création de nouvelles atructures, montre que le maintien de la reddition de comptes représente un défi continu.

Il est certain que le paysage redditionnel devient plus varié et moins dominé par les ministères. Le Parlement actuel et les prochains Parlements devront mettre au point des mécanismes efficaces pour tenir comptables un éventail de plus en plus varié d'organisations, ce qui nécessitera des relations plus diverses entre le Parlement, les ministres et les fonctionnaires nommés.

Pour connaître nos travaux de vérification connexes, voir le chapitre 13 de 1997, Santé Canada – La santé des Premières nations; le chapitre 19 de 1997, Transports Canada – La commercialisation du système de navigation aérienne; le chapitre 20 de 1997, Travaux publics et Services gouvernementaux Canada – La privatisation du Groupe Communication Canada.

Question 2: La fonction publique est une institution en proie au stress

Au cours de ma carrière, j'en suis arrivé à croire qu'en bout de ligne, ce qui rend une organisation efficace, ce n'est pas tant la qualité de ses politiques et procédures administratives ou de ses systèmes de gestion. Même s'ils sont certainement importants, ce qui compte le plus, ce sont les gens qui y travaillent. Les organisations publiques qui sont réellement novatrices, qui servent les intérêts des Canadiens et qui donnent de bons résultats compte de l'argent dépensé, sont celles qui ont réussi à insuffler un leadership, de l'argent dépensé, sont celles qui ont réussi à insuffler un leadership, de lortes valeurs et qui peuvent compter sur des personnes compétentes et motivées. Je suis absolument convaincu qu'une fonction publique compétente et professionnelle est essentielle à la santé économique, sociale, compétente et professionnelle est essentielle à la santé économique, sociale, environnementale et politique de notre pays.

Dans nos vérifications, chacune de ces questions a été traitée en priorité et continuera de l'être. Nous exposons, en annexe au chapitre, d'autres questions récentes et qui posent toujours problème.

Question 1 : Le maintien de la reddition de comptes des activités qui ne sont plus exercées dans le cadre traditionnel du gouvernement

Un nombre sans précédent d'activités – dont bon nombre sont des services publics essentiels – ne seront plus exercées par des ministères fédéraux. Ces changements prennent un éventail de formes, sous un éventail d'étiquettes, comme la « dévolution », la « commercialisation » et les « nouveaux mécanismes de prestation des services ». Par exemple, des activités sont cédées à des tiers, tel le système de navigation aérienne, et à des groupes de cédées à des tiers, tel le système de navigation aérienne, et à des groupes de

clients, tels les programmes destinés aux Autochtones. De plus, le gouvernement négocie de nouveaux partenariats pour partager les responsabilités des programmes avec les gouvernements provinciaux.

Dans le cadre de ces changements, on crée de nouvelles organisations qui sont structurées de façon bien différente du modèle traditionnel du ministère.

Cela laisse présager un important changement dans la structure et la nature de l'administration fédérale. Un changement notable imminent est le projet de la nouvelle Agence canadienne des douanes et du revenu. Elle remplacerait Revenu Canada et compterait, à elle seule, 40 000 employés – quelque 20 p. 100 de la fonction publique fédérale – et recevrait des crédits parlementaires annuels de plus de deux milliards de dollars.

Les parlementaires ont un important rôle de surveillance à jouer dans l'établissement de ces nouvelles organisations. Outre l'aspect politique – la question de savoir si la structure proposée est en fait la meilleure solution – se pose la question du maintien de la reddition de comptes. Bon nombre de ces organisations supposent des partenariats qui exigent organisations supposent des partenariats qui exigent

des mécanismes redditionnels plus complexes liant les partenaires et leurs mandants respectifs.

Une reddition de comptes adéquate est essentielle pour deux raisons : les services assurés mettent fréquemment en jeu d'importantes questions

Des activités essentielles sont cédées par des ministères fédéraux

NAV CANADA est une société fermée, sans but lucrait, qui a assumé la responsabilité de l'exploitation sécuritaire du système de navigation aérienne civile de Transports Canada, en novembre 1996. Environ 6 000 employés de Transports Canada ont été transférés à l'organisation, qui a déclaré des revenus de 776 millions de dollars au cours des dix premiers mois d'exploitation.

L'Agence canadienne d'inspection des aliments est un organisme distinct qui rend compte au ministre de l'Agriculture et de l'Agroalimentaire. Elle regroupe les activités d'inspection des aliments d'Agriculture et Agroalimentaire Canada, de Santé Canada et de Pêches et Océans Canada. On lui a transféré plus de 4 500 équivalents temps plein et elle bénéficie de crédits parlementaires annuels de elle bénéficie de crédits parlementaires annuels de

271,8 millions de dollars en 1997-1998.

L'Agence canadienne des douanes et du revenu, telle qu'elle est proposée, remplacerait Revenu Canada pour administrer les lois fiscales du Canada et celles des provinces participantes. L'Agence serait exploitée plus indépendamment du gouvernement et nécessiterait le transfert de 40 000 employés et des nécessiterait le transfert de 40 non employés et des nécesite mentaires annuels de plus de deux milliards de dollars.

désormais des rapports plus d'une fois par année, ce qui nous permet de communiquer nos constatations plus rapidement.

Questions auxquelles fait face le nouveau Parlement

Il y a près de sept ans, au début de mon mandat en qualité de vérificateur général, je n'aurais pu imaginer l'étendue et le rythme des changements que nous connaissons maintenant dans l'administration fédérale. Par leur ampleur, ces changements pourraient bien rivaliser avec la restructuration fondamentale de l'administration fédérale survenue pendant et après la Seconde Guerre mondiale, et avec l'expansion importante des programmes publics dans les années 60. Comme bon nombre l'ont constaté, l'état des finances du gouvernement, la mondialisation, la révolution technologique et l'évolution démographique et sociétale comptent parmi les facteurs qui entraînent les changements actuels.

La situation à laquelle nous faisons face aujourd'hui n'est pas sans rapport avec celle d'une entreprise qui connaît une restructuration importante – qui se lance dans de nouveaux champs d'activité et en abandonne d'anciens, au fur et à mesure qu'elle se réorganise à l'interne et qu'elle se lance dans de nouvelles entreprises en coparticipation. Pour ses actionnaires, une importante restructuration apporte sa part de défis et de risques. La façon dont on se tenait au courant des activités d'une entreprise doit changer bien souvent, et les questions que les actionnaires doivent suivre de près peuvent évoluer beaucoup elles aussi.

Évidemment, l'administration fédérale n'est pas une entreprise et les parlementaires ne sont pas les actionnaires du gouvernement. Quoi qu'il en soit, les changements qui surviennent au sein de l'administration fédérale comportent des défis et des possibilités semblables pour les parlementaires. Cinq questions revêtent une importance particulière :

- la nécessité de maintenir la reddition de comptes dans les nouvelles structures de prestation des services;
- le stress due vit la fonction publique;
- la nécessité de continuer de surveiller étroitement l'état des finances du gouvernement;
- d'activité du gouvernement;
 d'activité du gouvernement;
- le défi posé par l'environnement et le développement durable.

Préparer l'administration fédérale au XXI^e siècle : questions d'une importance particulière pour le nouveau Parlement



élection de juin a amené 90 nouveaux parlementaires sur la colline du Parlement et

en a ramené 211 avec un nouveau mandat. Les membres de cette 36^e législature seront, selon toute probabilité, ceux qui dirigeront le gouvernement jusqu'au XXI^e siècle.

De toute évidence, les parlementaires réfléchissent beaucoup à la façon de produire des résultats positifs au cours de ce

mandat. Une grande partie de leurs travaux porte à juste titre sur des questions de politique, mais une grande partie consiste également à surveiller les activités de plus en plus complexes de l'administration fédérale et à lui demander des comptes. C'est là que j'interviens.

Notre bureau existe pour aider le Parlement

Dans notre pays, la culture populaire fait abstraction d'un élément essentiel : mon rôle en tant que « chien de garde » est certes très important, mais c'est le Parlement qui, en définitive, joue le rôle de gardien de l'administration fédérale. En qualité de vérificateur général, mon travail consiste à signaler au

Parlement des questions de gestion de l'administration fédérale, en lui communiquant de l'information actuelle, pertinente et fondée sur nos travaux de vérification. Mon personnel et moi sommes motivés par la conviction que les Canadiens méritent une administration qui leur en donne pour leur argent et qui sert leurs intérêts. Ainsi, nous aidons le Parlement dans son travail qui consiste à tenir l'administration fédérale responsable.

Mon rôle en tant que « chien de garde » est certes très important, mais c'est le Parlement qui, en définitive, joue le rôle de gardien de l'administration fédérale.

L'une des façons de mieux servir le Parlement. En plus de maintenir une relation de travail productive et de longue date avec le Comité des comptes publics, nous travaillons énormément pour attirer l'attention des autres comités parlementaires sur nos constatations de vérification. Au cours de la 35^e législature, nous avons comparu devant 21 comités de la Chambre et du Sénat, en plus du Comité des comptes publics. En outre, nous publions

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Nous sommes engagés à promouvoir, dans l'exécution du mandat que nous a confié le Parlement, une administration gouvernementale responsable, honnête et productive qui reflète un engagement envers le développement durable et, de ce fait, à produire des résultats positifs pour tous les Canadiens.

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Le Bureau du vérificateur général effectue, en toute indépendance, des missions de vérification et des examens qui fournissent information, assurance et avis objectifs au Parlement. Le vérificateur général vise ainsi à améliorer le contrôle parlementaire sur les deniers publics et à encourager l'emploi des meilleures méthodes de gestion dans l'administration publique.

Élaboration de la mission

Dans l'accomplissement de notre mission, nous voulons produire des résultats positifs en favorisant:

o tremerre du gouvernent à l'intendance du gouvernent à

l'égard des ressources financières et autres;

l'éfficience et la productivité au sein de la fonction publique;

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• 1α rentabilité des activités du 80uvernement;

♦ la perception des recettes dues à l'État.

Par notre travail, nous voulons aussi:

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satisfaisantes ou insatisfaisantes;

* assurer la conformité aux autorisations;

Prévenir la fraude et la malhonnêteté.

Points saillants (suite)

Les parlementaires disposent de nombreux instruments qu'ils peuvent utiliser pour produire des résultats positifs dans la gestion des affaires publiques. Toutefois, l'absence d'information adéquate sur les plans et les résultats limite, dans une certaine mesure, leurs efforts. Cependant, je juge que les efforts déployés récemment par le gouvernement pour régler ce problème de longue date sont encourageants.

D'autres questions récentes et qui posent toujours problème sont exposées à l'annexe au

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- L'échéance de l'an 2000 pour les technologies de l'information est dangereusement proche, ce qui pourrait poser un risque pour les programmes et services publics.
- Le Secrétariat du Conseil du Trésor doit jouer un rôle plus actif dans les grands projets de technologie de l'information.
- Pour réussir à mettre l'accent sur la gestion axée sur les résultats, plutôt que sur les intrants,
 le gouvernement devra assurer un leadership vigoureux et persévérant.
- Le gouvernement doit améliorer sa démarche à l'égard des initiatives de privatisation et de commercialisation, en veillant à obtenir la juste valeur marchande des actifs cédés et à communiquer les résultats de chaque initiative au Parlement.
- Il est temps de faire de la fonction de contrôleur une réalité et d'améliorer les compétences du gouvernement en matière de gestion financière.
- Au cours de nos vérifications de l'année écoulée, nous avons cerné certaines possibilités d'économies.
- Le gouvernement protège mieux l'assiette fiscale, mais il reste encore beaucoup à faire.
- Il faut redoubler d'efforts pour maintenir la solide base d'éthique qui existe dans l'administration fédérale.

Questions d'une importance particulière — 1997



Points saillants

Cette année, je présente les questions que je considère tout particulièrement de revêtir une importance particulière. Parlement élu en juin dernier.

Les changements qui surviennent dans l'administration fédérale posent de nombreux défis et possibilités au nouveau Parlement :

- Dans la conception des nouvelles structures de prestation des services, il faut veiller tout particulièrement à maintenir la reddition de comptes. Des changements sans précédent ministères. Ces nouveaux mécanismes, qui sont souvent plus complexes, peuvent procurer des avantages considérables, dans la mesure où ils ne provoquent pas l'érosion de la reddition de comptes.
- Le stress que vit la fonction publique, La fonction publique est une institution vitale en proie à un stress considérable. Les parlement de la fonction publique soient adéquates. en sorte que les mesures de renouvellement de la fonction publique soient adéquates.
- Il faut continuer de surveiller étroitement l'état des finances du gouvernement. Bien que le déficit ait été réduit, la dette demeure élevée selon les normes internationales; il est donc plus important que jamais de posséder de l'information de qualité sur l'état des finances du gouvernement.
- Il est important de moderniser l'examen parlementaire de tous les champs d'activité du gouvernement. Le processus annuel d'attribution des crédits ne vise qu'une partie restreinte des dépenses publiques. L'information communiquée s'améliore, mais la capacité du Parlement d'examiner tout l'éventail des besoins du gouvernement doit être renforcée.
- Le défi posé par l'environnement et le développement durable. La création du poste de commissaire à l'environnement et au développement durable au sein de notre bureau et l'obligation pour les ministères de déposer des stratégies de développement durable sont de nouveaux outils importants pour traduire les mots en actions.

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Questions d'une importance 7997 – 1997

Avant-propos (suite)

Outre le présent volume et celui que j'ai soumis au Parlement en octobre 1997 (21 chapitres), notre bureau a fourni cette année :

- une opinion et des observations sur les états financiers du gouvernement du Canada;
- un rapport du vérificateur et des observations sur l'état des opérations du Compte de service et de réduction de la dette;
- plus de 100 rapports du vérificateur et des observations sur les états financiers des sociétés d'État et
 d'autres entités, des organisations et des gouvernements territoriaux, et d'organisations
 internationales.

De plus, en 1997, notre bureau a terminé l'examen spécial de Petro-Canada Limitée.

Aux termes de l'article 11 de la Loi sur le vérificateur génèral, je peux réaliser des missions à la demande du gouverneur en conseil.

Rapport du vérificateur général du Canada à la Chambre des communes — Décembre 1997



Avant-propos

Je suis heureux de déposer le deuxième volume de mon rapport de 1997. Cet avant-propos est suivi de « Questions d'une importance particulière – 1997 » et des points saillants qui sont tirés de tous les chapitres de cette année. Ce volume contient en outre 16 chapitres reliés séparément.

- Les sociétés d'Etat Appliquer la mesure du rendement
- Les systèmes en développement Prendre la situation en main
- Agriculture et Agroalimentaire Canada Administration du rétablissement agricole des Prairies
- Citoyenneté et Immigration Canada et la Commission de l'immigration et du statut de réfugié Le traitement des revendications du statut de réfugié
- Conseil canadien des relations du travail
- Protection de la couche d'ozone : le parcours inachevé
- Pêches et Océans Canada Le saumon du Pacifique : la durabilité de la ressource
- Industrie Canada La gestion du programme de prêts aux petites entreprises
- Bureau du surintendant des institutions financières Les assurances et les pensions
- Revenu Canada Le régime de gestion financière
- Revenu Canada et le ministère des Finances Comprendre les variations des recettes fiscales :
 la taxe sur les produits et services
- L'Enquêteur correctionnel Canada
- Commission des plaintes du public contre la GRC
- Suivi des recommandations formulées dans des rapports antérieurs
- Autres observations de vérification
- La stratégie de développement durable du Bureau du vérificateur général



Avant-propos





 \dot{A} l'honorable Président de la Chambre des communes :

J'ai l'honneur de vous transmettre ci—joint mon rapport annuel de 1997 à la Chambre des communes, lequel doit être déposé à la Chambre en conformité avec les dispositions du paragraphe 7(3) de la Loi sur le vérificateur général.

Le vérificateur général du Canada,

L. Denis Desautels, FCA

Le Rapport de décembre 1997 comporte 16 chapitres, dont le chapitre « Questions d'une importance particulière », ainsi qu'un Avant-propos et les Points saillants des chapitres des rapports d'avril et d'octobre ainsi que de décembre 1997. Pour mieux répondre aux desoins de nos clients, il est disponible sur divers supports. Pour mieux obtenir d'autres documents ou les obtenir sur un autre support, voir la Jable des matières et le don de commande à la fin du présent document.

Dans le présent rapport, le genre masculin est utilisé sans aucune discrimination et uniquement dans le but d'alléger le texte.

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ISBN 0-662-63243-5

Rapport du Vérificateur général du Canada à la Chambre des communes

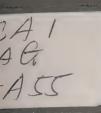
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Décembre 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 22
Crown Corporations: Making Performance
Measurement Work

December 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 22

Crown Corporations: Making Performance Measurement Work This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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Chapter 22

Crown Corporations: Making Performance Measurement Work



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Crown Corporations: Making Performance Measurement Work

Assistant Auditor General: John Wiersema Responsible Auditors: Pierre Serré and Grant Wilson

Main Points

- **22.1** Management and boards of directors of Crown corporations, as well as government and Parliament, require performance information to determine the extent to which expected results have been achieved by Crown corporations. Performance measurement is central to good management and helps fulfil accountability requirements.
- 22.2 Some Crown corporations are further along than others in developing performance indicators, but the process is under way for all. The experience of those that have moved beyond theory to practical application will undoubtedly be of benefit to those wishing some guidance. We would expect that, if corporations use performance indicators to manage, this should lead to better performance reporting as well as fewer significant deficiencies in the third cycle of special examinations.
- 22.3 Leadership as well as clear objectives and strategies are essential to support the development of performance indicators by which to assess performance. These indicators can then be used throughout a corporation to align plans and activities with corporate objectives and public policy roles.
- A corporation needs indicators that are complete and balanced to effectively support the alignment of plans and activities with objectives and roles. There are a number of frameworks that can assist a corporation to develop and maintain its set of indicators.
- 22.5 It is important that boards of directors of Crown corporations use performance indicators in monitoring and evaluating performance and require management to develop and use indicators as a meaningful and integral part of the management process.
- **22.6** Boards of directors may wish to consider delegating to the corporations' audit committees some responsibility for assessing the state of performance measurement and reporting.



Introduction

- 22.7 Management and boards of directors of Crown corporations, as well as government and Parliament, require performance information to determine the extent to which expected results have been achieved by Crown corporations. Continued efforts to improve measurement and reporting are needed to provide management with an effective tool to manage corporate resources and to achieve the corporate mandate. There is also a need to improve reporting to Parliament.
- 22.8 Meaningful performance information will assist boards of directors in carrying out their oversight responsibilities. And meaningful performance measurement requires that both management and boards of directors establish and use performance indicators as an integral part of the management and governance of Crown corporations.
- In 1984 when the Financial Administration Act was significantly amended, requirements for Crown corporation accountability and control were clarified, and roles and responsibilities of the board of directors in ensuring good management were set out. As part of this regime, Crown corporations are required to submit annually a corporate plan including goals, objectives and strategies for Governor in Council approval. As well, they are required to submit annual reports to Parliament, including statements on the extent to which objectives for the year have been met.
- 22.10 We have often commented on the state of performance measurement and reporting in federal Crown corporations most recently, in Chapter 10 of our 1995 Report. That chapter reported, among other things, the results of our analysis of the second cycle of special examinations; these are a type of value-for-money audit of Crown

- corporations, the results of which are reported to boards of directors. One of our findings was that of the 80 percent of the corporations where one or more significant deficiencies were reported, each corporation had a significant deficiency related to either corporate and strategic planning or performance measurement and reporting, or both.
- In 1996, we initiated research into performance measurement principles and practices and established a dialogue with federal Crown corporations on the subject, to increase their awareness of and focus on performance information. During our research into state-of-the-art practices in performance measurement, we concluded that it is important to develop a limited but complete set of key indicators that will assist management to manage. Consequently, our discussions with Crown corporations focussed on the use of performance information as a strategic management tool that would then act as a building block to improve governance and information to Parliament.
- 22.12 The government's recently launched initiatives for departments and agencies to renew the system for planning and managing expenditures and reporting on results confirm the growing interest in and importance of performance information. In chapters 5 and 11 of the 1997 Report of the Auditor General. respectively titled Reporting Performance in the Expenditure Management System and Moving toward Managing for Results, we outlined why we believe managing for results is an integral part of good management. Chapter 11, in particular, proposes a framework for managing for results as well as principles for moving toward managing for results.

Crown corporations continue to be an important government policy vehicle

22.13 Since 1993, when we reported extensively on the state of performance reporting by Crown corporations, assets administered by Crown corporations have

A limited but complete set of key indicators will assist management to manage. remained large and fairly stable at approximately \$54 billion, whereas the related work force has decreased by one third. Additional information on the continued importance of this sector is presented in Exhibit 22.1. During the past few years, the most significant event was the privatization of the Canadian National Railway Company and most of its wholly owned subsidiaries. In addition, Export Development Corporation, Farm Credit Corporation, Business Development Bank of Canada, Canada Deposit Insurance Corporation and Standards Council of Canada had their enabling legislation reviewed and modified, clarifying or expanding their mandates and powers.

22.14 The level of interest in performance information in Crown corporations is growing steadily. Since the introduction three years ago of the Auditor General of Canada Award for Excellence in Annual Reporting by Crown Corporations, there has been an increase in requests from Crown corporations for guidance in helping them improve their reports. Although the awards focus on external reporting, they have increased interest among Crown corporations in using performance indicators for managing to improve results.

Nature of performance indicators

22.15 Measures can be categorized in a number of ways, but among those that

Exhibit 22.1

Changes in Crown Corporations since 1993

	July 1993	August 1996
Number of parent (or acting) Crown corporations	48	46
Number of wholly owned subsidiaries	62	38
Number of employees	118,000	78,000
Total assets administered by Crown corporations*	\$53 billion	\$54 billion
Total long-term liabilities*	\$33 billion	\$36 billion

^{*} excluding Bank of Canada

have gained acceptance and credibility are those related to inputs, outputs and outcomes. Inputs are the amount of resources that are used or "consumed" by an activity or process. Outputs are the direct products and services produced by an activity or organization through its work processes. Outcomes can be classified as intermediate and ultimate. Intermediate outcomes reflect the direct effects from the outputs produced, such as a benefit for, change to or impact on a client group. Ultimate outcomes refer to the final impacts or broader consequences on the targeted group or society at large. While measures of inputs and outputs are useful, outcome measures have a greater significance in assessing the extent to which a corporation is meeting its mandate.

22.16 Measures of the relationship between inputs and outputs (efficiency) and between inputs and outcomes (cost effectiveness) also provide useful management information. In addition, explanatory information about the internal and external context that might affect a corporation's performance, such as demographics, staffing and economic trends, is considered essential to complete the performance picture.

Focus of the study

The objective of this study was to encourage further development and greater use of meaningful performance measurement and reporting in Crown corporations. We provide specific suggestions and illustrative examples by highlighting important conclusions from our research as well as from our discussions with Crown corporations. We expect that improvements in this area will result in fewer significant deficiencies being reported in the third cycle of special examinations, as well as an increase in the use of performance information in the management and governance regimes of Crown corporations.

22.18 In this chapter, we also summarize our work in this area for Parliament. We emphasize the importance of performance information for effective management of Crown corporations and good governance. Among other things, the chapter describes the nature of performance indicators, their qualities and attributes and, consequently, what Parliament should expect from Crown corporations. Further details on the study objective, scope and approach are found at the end of the chapter in the section About the Study.

Study Findings

22.19 Crown corporations exist to serve public policy purposes. Our discussions with Crown corporations focussed on the measurement of success in fulfilling their public policy roles. The measurement of success must include the measurement of public policy results as well as other aspects of a corporation's business required to achieve success and maintain it. It is important that the Crown corporations focus not only on achieving objectives in the short term but also on "sustainable achievement". This requires a set of key indicators that provides insight into the future success of the corporation and facilitates managing.

22.20 Ideally, a Crown corporation would have within its management practices and tools a set of key indicators that are linked to its mandate, objectives and strategies. These indicators would be widely communicated and cascaded throughout the corporation to the level of the employee. Corporate performance would be assessed on the basis of these key indicators, and compared not only against internal plans and targets but also against other organizations by such processes as benchmarking.

22.21 The development of performance indicators in individual federal Crown corporations is currently at various stages

of application. Some Crown corporations are using sets of key indicators that are largely linked to their strategic directions, although primarily at the corporate level. Their indicators are cascaded to some but not all levels throughout the corporation and performance is assessed mainly against internal plans, with limited outside comparison. Many corporations are in the process of developing sets of indicators, some are considering how performance measurement can be effectively implemented, while still others are in the early stages of implementation.

Clear Objectives and Leadership Support Are Prerequisites

22.22 Crown corporations have indicated that the following two conditions should ideally be present prior to embarking on an initiative to successfully identify a set of key indicators useful for managing:

• Clear objectives and strategies. Without clear corporate objectives and strategies (derived from and dependent upon the Crown corporation's legislative mandate and public policy role), it is very difficult to develop meaningful measures. Without knowing what results are expected and how to achieve them, it is difficult to manage for those results.

• Leadership support and endorsement. The support of the board of directors, the Chief Executive Officer and the senior management team is crucial to the success of performance measurement initiatives. Leadership support will foster the right organizational climate to support the use of performance indicators for managing.

22.23 The importance of clear objectives and strategies was noted by one Crown corporation during an early attempt to initiate a performance measurement system. After reviewing the feasibility of the project, the responsible manager returned to the Chief Executive Officer (CEO) and indicated that the corporation

"Corporations need clarity of direction and leadership to pick the right 'few' indicators."

Crown corporation Vice-President Corporate Planning Certain key recurring areas need to be measured.

was not ready, as it had not enunciated a clear strategic direction. The CEO accepted the feasibility report's conclusion and delayed the project until the objectives and strategies had been clarified. However, corporations do have differing situations and, even though the objectives and strategies may need clarification, a corporation may wish to consider advancing its use of performance indicators. In this way, the process of developing performance indicators could act as a catalyst to clarify objectives and strategies.

Performance Indicators Need to Be Complete and Balanced

If performance indicators are to 22.24 be used to assist in managing a corporation, then what gets measured must be determined carefully. It is important that a set of measures contain a limited number of indicators (perhaps no more than 12 to 15 at the corporate-wide level), while also being representative of the key aspects of the corporation. A corporation needs to measure, in addition to public policy achievements, those key aspects of its business that will lead it to success. In other words, completeness of the indicators depends on measuring all of the key success factors of a corporation. An incomplete or biased set of key indicators can lead to unintended behaviours and, consequently, unintended outcomes. Accordingly, the assessment of the achievement of stated objectives may be severely hampered by an incomplete set of key indicators.

22.25 In addition to completeness, we found that the usefulness of a set of key indicators is greatly enhanced if there is a certain balance inherent in it. A corporation needs to ensure that there is a balance of input, output, outcome and efficiency indicators supported by explanatory factors. Balance also refers to the "push-pull" conflicts such as long-term versus short-term, leading versus lagging and financial versus

non-financial indicators. In addition, balance addresses the distortion that may result from emphasizing certain key success factors over others.

22.26 In our research and discussions with Crown corporations, we found certain key recurring areas that need to be measured. These include public policy results, client focus, human resources, financial results, internal processes, and environmental management. The extent to which each of these applies to a particular corporation depends on the corporation's operations and circumstances. In addition, we found that there are interdependencies among the areas being measured, in that the results achieved in each area can affect the results achieved in other areas.

22.27 Public policy. One element that is particularly important for Crown corporations to measure is related to the public policy role for which each corporation has been established.

Measurement of this element should reflect the very reason for the creation and continued existence of the Crown corporation; as such, the unique measures are often the most difficult to develop.

22.28 Client focus. Crown corporations need to ensure that there is an adequate coverage of customer-oriented, results-based indicators. Product or service relevance and acceptance are important aspects of client focus. Indicators in this area are most useful if they can assist the corporation in learning from its customers, clients or stakeholders. Customer satisfaction, market share, and customer retention are examples of indicators used in this area.

22.29 Human resources. This area addresses how well a corporation is able to manage its human resources. It refers to the extent to which personnel are able to realize their full potential, while supporting the corporation's objectives and strategies. Corporate infrastructure, including the administrative processes and information systems, often has a great influence on how employees are supported

in, or prevented from, demonstrating their capabilities. Employee commitment, motivation and development are also important facets of this area. Employee turnover, the ratio of computers to employees, employee training dollars or hours, and other indicators often arising from employee surveys are examples of indicators used in this area.

22.30 Financial results. A corporation needs to measure its financial health. It is the state of a corporation's financial health that enables it to provide products and services to clients, customers or stakeholders. Net income, return on equity and return on assets are examples of indicators used in this area. Some corporations may also measure the extent of reliance on government funding.

22.31 Internal processes. A

corporation also needs to measure the critical business processes that deliver its products or services, while adding value to its clients, its customers or stakeholders. Efficiency, productivity and responsiveness figure prominently in this area. Cost per unit (of output and/or outcome), time to market, and response time are examples of indicators used in this area.

22.32 Environmental management.

The environment plays an increasingly important role in the public's perception of good government. This is not unique to government but government activities are held by the public to a very high standard of environmental performance.

Consequently, this area may require a greater corporate focus through the development of related indicators. These could be derived from a sustainable development strategy or other practices used by many private sector organizations for reporting on environmental performance.

22.33 Other areas. Performance indicators may also be required in areas such as leadership, strategic planning, supplier focus and planning for

improvement. A common thread is the clear focus of all activities toward the achievement of a corporation's goals and objectives. This provides for an alignment of effort in the corporation that promotes efficiency, as only activities that will lead to the achievement of goals and objectives are considered worthwhile to undertake. The choice of individual indicators within key areas, such as the ones presented above, also depends on a corporation's external and internal context. Employee turnover, for example, may be a useful measure in one corporation while providing little or no value in another.

We have found that Crown corporations use frameworks to assist in the development and maintenance of a balanced and complete set of indicators. A corporation may choose from a number of frameworks, and may choose elements from different frameworks or add elements to a framework. Some of the frameworks encountered in our research include the Kaplan and Norton Balanced Scorecard, awards criteria such as the Canada Awards for Excellence and the Malcolm Baldrige National Quality Award, as well as quality initiative elements, including those promulgated by the International Organization for Standardization (ISO). In addition, the CCAF (formerly called the Canadian Comprehensive Auditing Foundation) has a framework for governance information for boards of directors, while the Canadian Institute of Chartered Accountants (CICA) has issued a criteria of control framework (CoCo). The ultimate objective for each Crown corporation is to develop a complete and balanced set of key indicators for managing, not necessarily to follow a particular model or framework.

22.35 Attributes of good performance indicators. While sets of indicators need to be complete and balanced, indicators themselves require certain qualities to be useful. Exhibit 22.2 sets out a list of attributes of good performance indicators. These attributes contribute to the ability of

Frameworks can assist in developing and maintaining a balanced and complete set of indicators.

"Performance measurement provides new information."

Crown corporation Vice-President Corporate Planning an indicator to support management in managing the corporation.

Sets of indicators are dynamic. 22.36 The components of a complete set of indicators used to manage are subject to change over time. This is not to say that indicators that highlight "bad news" need to be removed from the set of indicators but that the indicators must reflect the evolving directions and context (internal and external) of the corporation. An indicator may lose its usefulness over time due to changes in the corporation's mandate, strategies or objectives. However, the decision to add or drop an indicator is not one to be taken lightly and depends on each corporation's circumstances.

The Implementation Process Is As Important As the Indicators

22.37 The following are illustrations of Crown corporation experiences that reflect some common and important considerations involved in developing performance indicators.

The process varies among corporations

Corporations that have decided to use performance indicators in a comprehensive manner to assist in managing generally follow the steps set out in Exhibit 22.3 to establish an initial set of key indicators prior to using them. While the steps have a logical progression, our discussions with Crown corporations indicated that the sequence may vary. Some steps are initiated prior to others that appear earlier in the sequence, and some steps are carried out simultaneously. In addition, once an initial set has been identified, the issue of integrating the indicators into the management process, which includes the maintenance of the set of selected key indicators and their targets, must be addressed. The development of a complete and balanced set of key indicators is an iterative process that can extend well beyond a year.

22.39 One Crown corporation indicated that the steps for implementation generally follow its corporate planning process and, accordingly, suggested that it may be appropriate to look at those

Exhibit 22.2

Attributes of Good Performance Indicators

Attributes	Explanation
Meaningful	• clear (clearly and consistently defined)
understandable	• context (explained)
	• concrete (measurable)
	lack of ambiguity in direction
relevant	• relates to objectives
	significant and useful to the users
	attributable to activities
comparable	allows comparison over time or with other organizations, activities or standards
Reliable	• accurately represents what is being measured (valid, free from bias)
	data required can be replicated (verifiable)
	data and analysis are free from error
	not susceptible to manipulation
	balances (complements) other indicators
Practical	• feasible financially
~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~	• feasible to get timely data

external factors that may have a significant impact on the corporation. It believes that a corporation needs a consensus on these factors in order to focus corporate directions and objectives properly. It also believes that the steps outlined in Exhibit 22.3 should be undertaken annually. Another Crown corporation indicated that when indicators are documented and reported, people start getting focussed.

22.40 One Crown corporation expressed that the exercise was key to ingraining performance measurement concepts into people's behaviour and emphasizing the importance of measurement. Another Crown corporation claimed that there is no "recipe for success". The process of developing and choosing the right critical success factors and performance indicators is unique to each corporation.

22.41 One Crown corporation found that going through the process of developing performance indicators had an unexpected impact on operations and activities. In trying to identify indicators of the adequacy of its collection, the corporation realized that it did not have a clear understanding of what would constitute an adequate collection. Consequently, it initiated additional research into the nature and size of its desired collection. This operational

change also allowed the corporation to identify surplus items and to develop an action plan for dealing with surplus items and acquiring new ones.

Communication, reporting and regular management reviews are essential

22.42 Crown corporations emphasize that communication remains important, both for communicating the initiation of an exercise to develop performance indicators and for communicating results. The latter function provides the opportunity for feedback throughout the corporation, which reinforces the link of activities to corporate strategies and objectives.

22.43 Performance indicators can also be useful in sensitizing managers about the importance of and the need for high performance levels, setting standards and benchmarks, and motivating staff. They can also play a key role in making the corporate strategic plan operational.

22.44 There is a need for regular management review of the information provided by the performance indicators. Without that review, and actions resulting from the review, people in the corporation will not perceive that the indicators are important and may lose focus on achieving goals and objectives.

22.45 One Crown corporation found the inclusion of performance indicators in

"The two key factors are communications and reporting. There is a need for a comprehensive process of involving people."

Crown corporation Vice-President Corporate Planning

- Clarify corporate objectives by reference to mandate, including the public policy role, and build
 a consensus throughout the corporation on the corporate direction and expected results (this may
 include customer and other stakeholder consultation).
- Identify and clearly define the critical success factors to meet the already established corporate objectives, as well as the key corporate activities required to support the critical success factors (a completeness framework may prove useful at this stage).
- Identify potential high-level key indicators.
- Establish performance targets.
- Define and validate indicators, including identification of data-gathering mechanisms.
- Select the complete set of key corporate indicators.
- Cascade measures throughout the corporation.

Exhibit 22.3

Steps for Developing an Initial Set of Key Performance Indicators "Performance indicators have become part of the planning and budgeting process."

Crown corporation
Chief Executive Officer

the corporate plan to be useful, particularly when the plan is widely disseminated throughout the corporation. This promotes a greater understanding among all employees of the corporation's objectives and strategies and how progress will be measured.

Performance indicators can be used to allocate scarce resources

One Crown corporation indicated that a significant breakthrough for it occurred when it distinguished between those indicators that are merely "useful statistics" and those that can be used for resource allocation. If the corporation is not willing to reallocate resources when an indicator suggests that a target may not be met, then there is a good chance that the performance indicator is not useful. Alternatively, this may suggest that management is not committed to using the indicator or that the objective linked to the performance indicator is not taken seriously by management, implying that it is not a relevant corporate objective. This underscores the requirement for a well-developed and accepted set of corporate objectives.

Performance indicators can be a catalyst for synergies

One Crown corporation found that the development and selection of corporate level performance indicators helped to break down organizational "stovepipes". The effect of organizational stovepipes may be seen, for example, when each area head prepares a portion of the corporate plan, and these separately developed plans are then brought together to form the corporation's annual or five-year plan. This may result in a lack of synergy or integration of effort. Since each area usually has some impact on other corporate areas, the development of corporate-wide objectives supported by indicators has been found to be useful in breaking down these stovepipe barriers. The corporation found that asking each

area what and how it can contribute to the accomplishment of corporate goals, coupled with providing everyone with a greater awareness of the interdependencies in the corporation, focussed management effort.

Cascading of performance indicators throughout the corporation is necessary

Cascading of indicators is a process whereby each successive level (region, branch, unit, sub-unit or individual) is asked to respond in a concrete and measurable fashion to questions asking how its activities will contribute to the achievement of the chosen strategic directions and outcomes stated in the corporate plan. Cascading may require the establishment of different indicators at different levels throughout the corporation, each supporting corporate-wide performance indicators. Alternatively, a corporate-wide indicator may be found at each level. One Crown corporation used the following series of questions at all corporate levels to cascade its indicators throughout the corporation:

- What action(s) are going to be undertaken this year to contribute to the achievement of the corporate plan?
- What is the targeted outcome of the action(s)?
 - How will achievement be measured?
 - When will the result be achieved?
- What parameters must be put on this objective to ensure that its achievement does not negatively impact on other objectives?
 - How will results be monitored?

Accountability for specific indicators needs to be assigned

22.49 One Crown corporation assigns accountability by identifying an "owner" for each indicator. This provides the owner of a particular indicator with the responsibility for taking action based on

the information provided by the indicator. Should the required actions exceed the owner's authority level, the owner brings the issue up to the next management level. This promotes a proactive form of management in which owners of indicators report not only on the trend of their assigned indicators but also on the actions taken or needed to ensure that targets are met.

Indicators must be defined and validated

22.50 The practice of users defining the indicators is based on the premise that the best indicators will be developed by the people who are actually involved in the activities being measured and that these people should also be the first users of the indicators. There is a need, however, to seek input from others, including customers and other stakeholders. In addition, one Crown corporation found that it is important for a central team to validate the indicators with the originator. Validation means testing the results of the indicators as defined by the eventual users. It provides an opportunity for the originator to confirm that the information the indicator was designed to provide is

actually provided. The experience of this Crown corporation suggests that as soon as the underlying data for an indicator are generated, the indicator should be validated by its owner.

22.51 One Crown corporation found that the indicators that were implemented first were the easiest ones to define and validate. Consequently, it noted that the more difficult indicators, and possibly the more important and useful ones, were not being pursued vigorously due to a false sense of accomplishment. This demonstrates that there is a need to validate all indicators.

22.52 Defining an indicator may appear to be a relatively simple exercise but is actually a time-consuming and necessary step in developing a complete set of performance indicators. Key items usually defined for each indicator are listed in Exhibit 22.4.

Influence, not manipulation, is needed

22.53 Closely related to defining and validating indicators is the influence of corporate and individual activities on the indicators. It is essential that these activities have a certain degree of influence on the results being measured.

Exhibit 22.4

Performance Indicator Definition Checklist

name of indicator (how this indicator will be commonly referred to in the corporation)	frequency of data collection (monthly, weekly, quarterly, etc.)
reference to critical success factor and/or strategy (which strategic direction the indicator supports)	target (one year, five year, longer term)
technical definition (specifically how each data component produces the final indicator number)	links to other indicators (documents the interrelationship among indicators)
 data source(s), availability and reliability (this will entail information systems considerations) 	cost of gathering data (how much it costs the corporation to gather or obtain the data)
owner (decision-making responsibility and data-gathering responsibility)	significance (the implication if the indicator increases or decreases)
current indicator reading (if information available)	other pertinent information

"Where the measures are used for managing, there have been tangible results; when used solely for reporting, the results have not been as tangible."

Crown corporation
Director of Operations

Without a cause-and-effect relationship, the usefulness of the activity as well as the appropriateness of the related indicators may be questioned, resulting in a lack of management focus.

22.54 It is important that the degree of influence on an indicator not extend to manipulation of the results. For example, one Crown corporation considered the number of artifacts in an exhibit as a potential indicator of the effective use of a collection. However, it concluded that this indicator could be manipulated by simply choosing smaller artifacts from the collection. The impact of such actions was not viewed as consistent with or supportive of corporate directions, and consequently the indicator was rejected.

Indicators for Managing Will Enhance Performance Reporting

- 22.55 Chapter 4 of our 1993 Report addressed the issue of performance reporting in Crown corporations. The 1984 amendments to the *Financial Administration Act* incorporated, among other things, the following principles:
- Parliament will be informed of the objectives and strategies of Crown corporations as approved by government; and
- Parliament will receive a systematic flow of timely, pertinent information on actual performance so that it can judge how well Crown corporations have achieved their stated objectives for each planning period.
- **22.56** The practice of reporting against established objectives is basic to good management. In fact, Part X of the *Financial Administration Act* places considerable emphasis on performance reporting:
- Corporations must state in their corporate plan summaries their objectives.

strategies and expected performance for the year.

- Corporations must disclose in their annual report the extent to which objectives have been achieved.
- The Treasury Board has the power to require that certain quantitative performance information be included in annual reports.
- The Treasury Board has the power to call for the audit of quantitative performance information in annual reports.
- 22.57 As part of the process for the Auditor General Award for Excellence in Annual Reporting, we reviewed recently published annual reports and corporate plan summaries. Although there is still much to be done in this area, we found that most Crown corporations had reported some information in three areas: financial performance, public policy and internal processes. Almost all corporations report two or more financial indicators, while most report at least one public policy outcome indicator and one internal process indicator. Examples of financial indicators most often used include net income and the percentage of non-governmental sources of funding. Public policy indicators are specific to each corporation. Examples of internal process indicators that have been reported include administrative expenses as a percentage of total costs, and marketing costs as a percentage of revenue. Less than half of the reports we reviewed had customer indicators and only a few had human resource indicators or any reporting on environmental practices.
- 22.58 We have previously reported that improvement in performance reporting by Crown corporations is required. We believe that once management develops and uses indicators to assist in effective management, the building blocks for effective performance reporting will exist.

Conclusion

- 22.59 The importance of performance information as a tool for reporting as well as for managing corporations is clear. Complete and balanced sets of key performance indicators provide useful information with which to improve operations, integrate day-to-day activities with strategic plans, monitor and evaluate performance at all levels and confirm the validity of past strategic decisions.
- 22.60 Performance information is a powerful tool but it cannot by itself make the corporation succeed. Management must still identify, choose and act on strategic initiatives and directions. Performance indicators can then help measure how the strategies and actions have influenced the success of the corporation, and can provide valuable

- input to the decision-making process. Performance measurement is not a substitute for leadership or a compensating factor for poor strategies or a lack of core competencies.
- 22.61 Boards of directors need to use performance indicators in monitoring and evaluating performance, and to require that management develop and use performance indicators as a meaningful and integral part of the management process. They may wish to consider delegating to the corporations' audit committees some responsibility for assessing the state of performance measurement and reporting.
- **22.62** Government and Parliament need to continue to emphasize the importance of performance indicators in their review of Crown corporation annual reports and corporate plan summaries.



About the Study

Objective

The objective of this study was to encourage further development and greater use of meaningful performance measurement and reporting in Crown corporations. We provide specific suggestions and illustrative examples by highlighting important conclusions from our research as well as from our discussions with Crown corporations. The chapter also reinforces the need for Crown corporations to set clear and measurable strategies, goals and objectives — the foundation of good performance measurement.

We expect that if corporations use performance measurement to assist in managing, then in the future we will see fewer significant deficiencies being reported in special examinations of Crown corporations and better information on performance reported to boards of directors, government and Parliament.

Scope and Approach

Largely as a result of our findings from the second cycle of special examinations, we undertook to research issues related to performance measurement. Our research started with a review of existing practices and developments in performance measurement in both the public and private sectors. One of the key activities involved dialogues with 23 federal Crown corporations to understand how performance measurement concepts and practices were being used and how issues were being addressed. We carried out in-depth discussions with 10 of those corporations, which represent approximately \$19 billion of assets and 16,000 employees. In addition, as part of the process for the Auditor General Award for Excellence in Annual Reporting by Crown Corporations, we reviewed performance information reported in all Crown corporation annual reports and corporate plan summaries.

Study Team

For information, please contact Pierre Serré or Grant Wilson, the responsible auditors.

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Report of the Auditor General of Canada to the House of Commons

Chapter 23
Systems under Development: Taking Charge

December 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 23Systems under Development: Taking Charge

December 1997

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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Chapter 23

Systems under Development: Taking Charge The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Assistant Auditor General: Doug Timmins Responsible Auditor: Eric Anttila

Systems under Development: Taking Charge

Main Points

- 23.1 In its efforts to respond to perceived needs of taxpayers and to reduce its costs, the government has undertaken to develop many new information systems. In this audit, we examined three projects that were managed in-house by the departments. We found that they shared similar risks with contract projects, including being late, going over budget and not meeting the needs of users.
- 23.2 Compared with contract projects, in-house projects were better aligned with the business objectives of the departments and were broken down into more manageable components. In addition, senior management was more involved, communications were more effective and the expertise and experience of the staff were better used.
- 23.3 Two of the three in-house systems that directly serve Canadians need to reflect a better understanding of who the clients are and what their needs are.
- 23.4 The disciplines of planning, oversight and quality assurance reduce the risks associated with the business and technical complexity of both contract and in-house projects. However, the three projects that we examined had some deficiencies in these areas.
- 23.5 A major concern we have reported before is the lack of recording and tracking of actual project costs. Without such tracking, projects can take longer, cost more and deliver less. Although one project was able to provide us with fairly complete estimates, none of the projects could provide precise actual costs. We estimate that each of the three projects we examined will cost the taxpayers between \$50 million and \$100 million.



Introduction

Focus of the audit

23.6 Our review of systems under development is a continuation of similar work done in the past two years. We have been assessing the quality of project management in systems development projects in order to identify lessons to be learned and pitfalls to be avoided. A common industry definition of projects is an endeavour, limited in time, to create or enhance a product or a service in a way that distinguishes it from existing ones. Projects are not limited to the introduction of new information technology but may be related to all kinds of human activities such as a change in organizational structure and customer service. A significant body of best practices has developed over the years and we draw from it to conduct our risk assessments.

23.7 This year, we focussed on information technology systems managed and developed by departmental staff, with assistance, when needed, provided by individual consultants. We refer to these development projects as "in-house" projects. Although we could not establish firm costs for the three projects we reviewed this year, the estimated cost of each is in the \$50 million to \$100 million range. In previous years, our focus was on projects that were larger in size, often costing in the hundreds of millions of dollars, with most of their development contracted out in large fixed-price contracts (referred to hereafter as "contract projects"). In this chapter, we also review the status of the eight other projects that we examined in previous years and draw some general conclusions on the major differences and similarities in risk profiles between in-house and contract projects.

23.8 Further details on the scope and approach of this year's audit are included at the end of the chapter in the section **About the Audit**.

Recent systems under development events

23.9 In March 1997, the Standing Committee on Public Accounts held hearings on Chapter 24 of the Auditor General's 1996 Report — Systems under Development: Getting Results. We recommended to the Committee that all departments produce action plans for the implementation of the Treasury Board's Enhanced Framework for the Management of Information Technology Projects. In addition, we suggested to the Committee that the Treasury Board Secretariat was uniquely positioned to monitor systems under development projects that require Treasury Board approval, with the view of informing the Treasury Board ministers if projects were experiencing serious risks of failing to meet stated schedules, budgets or requirements.

Departments were directed by Treasury Board ministers in June 1996 to apply the Framework to existing projects, as applicable, and future information technology projects, and so attest when seeking Treasury Board project approvals. The Treasury Board Secretariat has advised us that actions are under way in all departments to implement the Framework. In addition, two departments have declared their intention to improve their software development processes up to level 2 of the Software Engineering Institute's Capability Maturity Model (Exhibit 23.1). The model has five levels of increasingly effective management of software development processes, with level 5 being the optimal level. Additionally, in response to a direct request by the Public Accounts Committee, Transport Canada has declared that it would fully apply the Framework if it were to develop another major system.

23.11 We recommended in our November 1996 Report that departments prepare action plans for the implementation of the Framework. The Treasury Board Secretariat will assess the This year, we focussed on information technology systems managed and developed by departmental staff.

The Treasury Board
Secretariat has
advised us that
actions are under way
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implement the
Enhanced Framework
for the Management of
Information
Technology Projects.

One of the major factors contributing to project risk was increasing business and technical complexity.

The projects that have the best chance of succeeding are the ones where business and technical expertise can be integrated to create new ways of delivering products and services to clients.

implementation of the Framework within departments against a series of four target plateaus beginning in March 1998 and continuing to 2002. The Chief Information Officer Branch of the Secretariat reports that it will conduct a review of the progress of the 20 largest departments toward the March 1998 plateau. Departments will be expected as part of this exercise to develop an improvement plan that focusses on the achievement of the goals at the next three plateaus.

Implications of increasing business and technical complexity

23.12 In all 11 projects that we have audited over the past several years, one of the major factors contributing to project risk was increasing business and technical complexity. In our opinion, risks associated with complexity can be effectively managed by breaking down the project into more manageable components and doing a better job of planning and overseeing projects.

23.13 Business complexity in government has increased in recent years because of massive budget cuts, downsizing (in some cases, without a corresponding reduction of program requirements), program changes, new legislation, mergers of departments and reorganizations. Because of the increasing need to process information rapidly and to

meet the pressing information needs of both managers and clients, business processes have to be re-engineered to provide real-time and just-in-time information. Furthermore, as we reported in Chapter 12 of our October 1997 Report, Information Technology: Preparedness for the Year 2000, the pending situation, referred to as the Year 2000 problem, has added new business imperatives that put all other information technology projects at risk in the struggle for available resources.

23.14 The 1990s have seen an escalation in technological sophistication to address more complex business needs that go beyond the simple automation of manual processes. New systems are based on the integration of new business processes and the supporting technologies, such as client-server, on-line transactions, networks, the Internet and interfaces to many legacy systems. Finding and developing the technical and business talent to address this sophistication is a major risk factor in itself.

23.15 To meet these challenging requirements, information technology must become part of the business processes themselves. The projects that have the best chance of succeeding are the ones where the development teams can integrate business and technical expertise to create new ways of delivering products and services to clients. The challenge for

Exhibit 23.1

The Capability Maturity Model (CMM)SM

In 1986, the U.S. Department of Defense funded the establishment of the Software Engineering Institute (SEI) at Carnegie Mellon University. The SEI has developed a Capability Maturity Model (CMM) that is now available to all institutions worldwide. The Model outlines how an organization can establish a step-by-step roadmap to implement a software development improvement program. It also can be used to assess the capability level of an organization or lead to the certification of an organization by an accredited evaluation team.

The Model includes five levels of maturity that describe "the extent to which a specific process is explicitly defined, managed, measured, controlled and effective" (CMM, The Process Maturity Framework, 1993).

CMM is a service mark of Carnegie Mellon University.

For information on the CMM and its five levels of maturity, please visit the SEI web site at http://www.sei.cmu.edu.

development teams is to combine these two sets of expertise effectively.

Observations

Our Assessment of the Projects Reviewed

- 23.16 A brief summary of three in-house projects that we reviewed is included in Exhibit 23.2. At Revenue Canada, we reviewed the Standardized Accounting and Corporate Tax Redesign project (SA/T2). It is an ambitious and complex project with aggressive target dates that create the risk of schedule slippage for the project. The Department has mitigated project risk by:
- closely aligning the objectives of the new system with Revenue Canada's overall objectives;

- obtaining ongoing involvement and support of senior management;
- extensively involving intended users of the planned system in development activities;
- conducting regular independent risk assessments;
 - · using standards consistently; and
 - using overall management discipline.

However, more attention needs to be given to the tracking of task times at a level sufficient to offer precise monitoring of actual progress.

23.17 At the time of the audit of the Self-Serve Systems group of projects at Human Resources Development Canada, the projects, as a group, were assessed at high risk of not meeting their goals. However, the Department mitigated this risk by scoping the projects so that financial risk was reduced greatly and so

The Standardized Accounting and Corporate Tax System Redesign (SA / T2) project at Revenue Canada was started in mid-1995 to streamline and integrate all the revenue programs administered by the Department, starting with the Corporate Tax System, which handles business tax returns. The SA project will extend into 2001 and has a total estimated cost of \$82 million over five years, including ongoing maintenance. The T2 redesign project is estimated at \$24 million over five years, including maintenance. These projects are being funded internally by the Department. During the audit, plans were for an April 1998 implementation. The new Corporate Tax System is now scheduled for a later implementation, possibly by the fall of 1998, due to unforeseen complexities in the business requirements.

Self-Serve Systems at Human Resources Development Canada comprise a group of 15 projects that share the same project manager and are all meant to provide clients with an improved self-serve capability. These development initiatives, most of which are in the area of employment insurance, were regrouped in 1995 to better co-ordinate the Department's efforts in the face of budget cuts and closure of many local offices. Our review looked at the risk associated with the projects taken together rather than with individual projects. We estimate these 15 projects to cost about \$50 million over five years. The projects are at various stages of development, and implementation of the 15 projects is planned for various dates over the next few years.

The Strategis project at Industry Canada was initiated in 1994. Strategis is an initiative designed to make strategic business information available to Canadian businesses over the Internet. Phase I of the system was implemented in March 1996 and has enjoyed increasing use. Phases II and III are meant to enhance the web site, offer more business partnerships and introduce electronic commerce as a means of conducting business with Industry Canada. Strategis is expected to have electronic commerce operating by December 1998. The success of the site is completely dependent on both the quality of the information content and on the technology used. Therefore, we used the Department's estimate of \$22 million that includes the time of content experts used in the preparation of the documents put on the web in Phase I. The Department has estimated a further \$44 million over the next two years to develop and maintain Phases II and III of Strategis.

Exhibit 23.2

The Three In-house Information Technology Projects in Brief Planning starts with a good knowledge of the clients and of their needs.

that projects could stand alone to reduce interdependencies between them and protect them from delays in other projects. Risk was also mitigated by piloting projects in the field. The projects had good alignment of their objectives with the strategic goals of the Department, had senior management support and involvement and made good use of in-house expertise. In line with best practices, there were also efforts to establish a better quality assurance function. However, in some or all of the self-serve projects, we noted deficiencies with the planning, standards, documentation, task management and management of change requests.

At Industry Canada, we 23.18 examined Phases II and III of Strategis. As Strategis moves forward, we are concerned that the project may experience high risks of not meeting its schedule, cost and service objectives. With the expansion of scope and complexity of Strategis, the focus and alignment that was firmly established for Phase I is becoming diffuse, the management of Strategis is not sufficiently integrated with the business side of Industry Canada and the current project management structure may not be adequate to achieve best results. There are efforts under way to make Phase I and some elements of Phase II part of normal publishing operations. Senior management has asserted that Strategis is more than just a web site but an initiative to transform the Department by providing access to government information resources, business transactions and new means of consultation. However, the development of a large web publishing site is a relatively new activity for government and industry. The Department has not taken this opportunity to apply project management best practices to an initiative of this type.

23.19 In summary, we observed that, in terms of best practices, in-house projects:

- were well aligned with departmental objectives and received strong support from senior management;
- were broken down into manageable components;
- made good use of in-house resources; and
- had good communications between developers and internal clients.

However, we are concerned that all of these projects lack a properly established independent quality assurance function and do not track task time. Except for the SA/T2 project, all projects need to:

- apply a planning discipline that includes the precise definition of tasks over reasonable time frames;
- consult more systematically with intended clients;
 - · manage change requests; and
- implement a discipline relative to standards and documentation.

Planning Projects

- **23.20** Under planning, we considered the following key elements:
 - Knowledge / Involvement of Clients
 - Integrated Teams
 - Business Case
 - Project Charter
 - Overall and Detailed Project Plans
 - Quality Assurance Plan

Knowledge and involvement of clients is essential

23.21 Planning starts with a good knowledge of the clients and of their needs. A common characteristic of the three systems we reviewed this year is that all involve serving clients outside the departments concerned and establishing partnerships with the private sector, other

departments or other governments. This puts an onus on the project managers to clearly identify whom they are servicing and to develop the means to engage in meaningful consultations with the target clientele. However, in two of the projects examined, the extent of the effort required was underestimated. And, in an environment where change is constant, we found that consultations were infrequent or not tied to the definition or adjustment of the requirements for the new service. There is a danger that, if consultations are not frequent and continuous, the project will encounter stiff resistance or apathy when completed.

23.22 At Revenue Canada, there were extensive consultations to set up the new Standardized Accounting and Corporate Tax Redesign project. The Department has found it necessary to continue these discussions even while the development of the system is well under way. Since the clients believed that the system would have a great impact, Revenue Canada responded by continuing to be open and straightforward about the costs and benefits. An important innovation is the establishment of a steering committee with provincial partner representation and decision-making authority to co-ordinate ongoing consultations on electronic filing of corporate tax returns and its implementation.

23.23 At Human Resources
Development Canada, there was evidence
of efforts to consolidate previous
information on clients and obtain some
additional information from some client
groups or associations. There are also
efforts to continue the consultation in the
context of specific pilot projects. The
Department has provided mechanisms to
gather client comments through its kiosks.
However, in the case of client groups who
do not use kiosks, feedback is obtained by
staff and manually input into an
information gathering system.

23.24 At Industry Canada, the intensive consolidation of useful client data at the start of the project, as well as continuing discussions with business associations, has provided a means for keeping in touch with client needs. The Strategis web site also permits users to make comments via electronic mail. Industry Canada staff are able to view these comments at any time and respond to them. However, obtaining feedback from all intended clients and not only from those who have reached the site and care enough to respond is a challenge the Department continues to face. At the time of the audit, to identify the continually changing clientele and their needs, the Department relied mostly on attendance by Strategis staff at industry association meetings, gathering of client input at the many demonstrations of the web site and measuring activity on the Strategis web site.

Fully integrated development teams are necessary for buy-in and support of projects

23.25 While we would expect the business side of a department to take the lead in client consultation and in the early stages of planning, a real synergy must develop that includes the information technology (IT) analysts in a fully integrated team. At Revenue Canada, for example, the Standardized Accounting project team consists of business and IT analysts and managers who were collocated throughout the development of the first business case and the overview plan. A synergy developed that persisted even after the team had outgrown its space and had to be split between two separate buildings. This synergy is nurtured by the continuing active senior representation of the sponsoring business units on the project team.

23.26 At Industry Canada, the projects are definitely business-driven but the same level of integration of the project teams does not exist. For example, business sectors are quite autonomous and, in many cases, have their own IT staff to prepare

There is a danger that, if consultations are not frequent and continuous, the project will encounter stiff resistance or apathy when completed.

The business case provides senior managers and others with information about the costs and the benefits to the business, so a "go/no-go" decision can be made.

A critical requirement for business cases is that they be kept up-to-date.

their applications and databases for the web site. Our observation is that this makes it difficult for Strategis to be more than just a web site because it still lacks the full buy-in and support of the whole Department for centrally co-ordinated standards of quality that would help Strategis to be "an initiative of transformation" for Canadian businesses and for the Department itself.

23.27 At Human Resources
Development Canada, business units drive
all IT activity but systems development
follows a more traditional model where
there is an organizational separation
between the developers and their clients.
Requirements are handed over to IT staff
and a working system is handed back
later. Business people and IT staff do not
work in integrated teams but rely instead
on meetings and other consultations
throughout.

Investment proposals and business cases need to be complete and up-to-date

23.28 Good knowledge and involvement of the clients together with an integrated team are prerequisites for good planning. As part of the planning exercise, the integrated team needs to prepare a detailed investment proposal or business case that is tightly aligned with the business goals of the organization. The business case provides senior managers and others with information about the costs, the benefits to the business, the return on investment, and the risks associated with a proposed system, so a "go/no-go" decision can be made.

23.29 Over the years, the Treasury Board Secretariat has published guidance on the preparation of business cases and cost/benefit analyses. Most recently, the requirement was reiterated in the Treasury Board's Enhanced Framework of May 1996, and supported by a new guide, Creating and Using a Business Case for IT Projects, first issued in May 1995 and reissued in November 1996. The guide

sets out in detail what constitutes a business case and deals with how to identify costs and benefits, prepare plans for the realization of these benefits, assess risks, analyze and present alternatives, and conduct reviews to confirm and update the business cases over the life of IT projects.

23.30 A critical requirement for business cases is that they be kept up-to-date. An update can be the basis for what the Enhanced Framework refers to as a "gate", where a "go/no-go" decision is made on the next stage of the plan.

areas for improvement, we took advantage of this year's audit to do a review of business cases prepared since the issuance of the new Treasury Board's guidance on business cases. Although the three projects we looked at had prepared business cases and, in some manner, had updated them, we noted that many of the elements of the government direction were not being followed. The following matters would have needed to be addressed in order to bring these business cases in line with the new Treasury Board guidelines:

- All costs were not included in the business cases. In all cases, some categories of costs were not considered, for example, money invested prior to the creation of the business cases. In two cases, costs were estimated for development only and not for ongoing maintenance. This factor can have a significant impact on the investment decision and the potential return on investment to the government.
- In all cases, risk assessments the forecast of potential problems in the successful development and implementation of the proposed systems were not included with the business cases presented to senior management. At Revenue Canada, risks assessments were done shortly after the business cases were prepared.
- In all three cases, the analysis of proposed investments did not consider

measures of financial return, such as return on investment or other investment criteria suggested by the Treasury Board Secretariat's guide on business cases.

- The three business case reports were not complete as they did not present the information noted above; nor did they describe what alternatives to the suggested strategy were considered.
- 23.32 The issues we noted present risks to the government that large investment decisions may be made on the basis of incomplete or inaccurate estimates and other information, resulting in much lower returns than anticipated. Good decision making at the start of the project is dependent on accurate and complete information.

Project charters bring discipline to projects

- 23.33 In our review of planning in the three in-house projects, we found evidence of a good and effective practice — the creation of project charters. A project charter is a living document that lays out the project goals, the roles and responsibilities of each member of the team, and the interdependencies between projects and between tasks. Key project investment parameters are identified up front, along with key business and technical assumptions, deliverables, project stages and tasks, task estimates and assignments, and criteria for judging success. The project charter is updated at every major stage of the project.
- 23.34 Revenue Canada prepared charters for each major component of the SA/T2 project. Human Resources Development Canada has also adopted the practice but, at the time of the audit, had applied it to only 2 of the 15 projects that make up Self-Serve Systems.
- 23.35 Compared with contract projects, in-house projects tend to lack the same level of project management discipline as is specified in contracts. We see project

charters as an important means of bringing elements of that discipline into projects managed in-house. Project charters effectively become internal contracts that guide project teams.

Project plans set detailed management and supervisory agendas

- 23.36 Project plans. The discipline of preparing the project charter facilitates the preparation of the project plan. Literature in the project management field is extensive, and it is possible to purchase good development and planning methodologies and numerous effective planning tools.
- 23.37 In reviewing the planning of in-house projects this year, we found that the best practice was at Revenue Canada. It developed a top-down overview plan and a series of detailed plans over reasonable time horizons that identified all key work packages or project segments. These work packages were further broken down into task level plans that covered periods of one to two weeks. Key interdependencies at all levels and critical path items were identified.
- 23.38 To validate this top-down plan, Revenue Canada followed with a bottom-up planning exercise that fully involved all people responsible for the tasks. The Department did a complete review of all plans at the task level to verify all the details and rebuild the plans. As part of the integrated teams, people from the business units were full participants in this validation exercise.
- 23.39 Task completion criteria. To be completely effective at the task level, project plans must identify completion events precisely enough to give a clear "yes/no" indication of satisfactory completion. This implies that quality standards have been set for each particular task. We would suggest that a task be considered not complete until it has passed its quality gate, at which point it would be considered fully complete. None

We found evidence of a good and effective practice — the creation of project charters.

Project plans must identify completion events precisely enough to give a clear "yes/no" indication of satisfactory completion.

Good plans create meaningful benchmarks that permit the measurement and tracking of progress.

The key outcome of oversight is the timely application of corrective action when behaviour or results deviate from plan.

of the projects examined this year defined their tasks to this level of detail.

23.40 Revision of plans. All elements of planning need to be considered living documents that must be re-examined and revised periodically as necessary. During these revisions, all parties have to be consulted, risks reassessed and planning assumptions re-established. With each major revision of the plan, the business case also has to be reviewed and gating decisions made.

23.41 The purpose of planning is to set the management and supervisory agendas in as much detail as possible to permit effective oversight and monitoring of task execution until the project is completed successfully.

Project Tracking and Oversight

Breakdown of tasks identifies deliverables and resources

23.42 Good plans create meaningful benchmarks that permit the measurement and tracking of progress. The appropriate breakdown of tasks over reasonable time frames establishes not only the deliverables to be produced but also the resources that will be required. As mentioned, the identification of the deliverables needs to define the quality standards that must be met before a task can be considered complete. The resource definition needs to be very explicit and, wherever possible, specify the individuals involved and all other resources that are needed to get the job done.

23.43 The very magnitude and complexity of technology and business projects today make it necessary for management to exercise proper oversight to achieve the intended results. The key outcome of oversight is the timely application of corrective action when behaviour or results deviate from plan. The in-house projects we looked at were careful to break down their system requirements into more manageable

components. While this approach adds another level of complexity to the project and requires more oversight in the form of co-ordinating, reporting and communicating, it is still preferable to the mega-project approach. However, except for the SA/T2 project at Revenue Canada, none of the in-house projects reviewed had broken down their work packages into tasks small and detailed enough to serve as meaningful tools to monitor actual progress and take corrective action.

Objective assessment measures must complement subjective ones

As part of their oversight role, 23.44 managers need to have objective measures of progress and performance in addition to their own subjective assessments. None of the projects we reviewed measured the time actually being spent to compare it with the time estimated in the master plan. We consider this a fundamental tool in project tracking and oversight. This measure is needed not only to give senior management advance warning about possible delays but also to provide important lessons learned to improve the estimation of time to complete tasks in the future.

None of the managers on the projects we reviewed had the information needed to determine the actual project task costs. In all three projects, human resource costs, which are always the largest component of actual project costs, are known only at the corporate level and cannot be broken down to project tasks. Two objectives of project oversight are to determine how much productive time has been devoted to specific project tasks and how much work has actually been performed against plan. This allows managers to predict how the rest of the plan will likely proceed and to take corrective action where appropriate.

23.46 Managers usually need several methods to measure performance and project status. As described earlier, in setting up the plan, there must be a very

concentrated effort to make the tasks short (one to two weeks) and defined such that a tangible, measurable output is produced. Measuring the actual time spent on a project task gives the manager an estimate of progress made relative to the original estimate. A less reliable and even softer measure is subjective judgment, although this can be firmed up by peer reviews and quality control "walkthroughs".

23.47 At Revenue Canada, there is no time measurement but management has compensated for this deficiency by defining tasks of a short duration with tangible outputs and scheduling peer-level task reviews. Management claims these reviews are thorough and timely enough to quickly expose the exact status of the tasks and to allow management to take corrective action.

23.48 At both Human Resources Development Canada and Industry Canada, progress is measured with subjective assessments and management reviews of these assessments. There is no time tracking or peer review to provide another more objective view of progress. In our opinion, while it is important to have the assessment and review of experienced managers, this in itself is inadequate for oversight and tracking. By the time management finds out that a time estimate is incorrect, the deliverable date may have passed and, by the time a recovery plan is created, the whole project may be close to being over budget. This potential risk can be mitigated if project components are small enough, task durations are very short and management acts quickly and decisively to recover from an incorrect time estimate or a missed deadline.

23.49 Both Human Resources
Development Canada and Industry Canada
use a development technique where a
series of gradually improved prototypes
allow the business line people to validate
requirements and to monitor certain

tangible outputs of the process. Although we would commend this as a useful and effective technique for developing systems rapidly and keeping business people involved throughout the development process, we do not see it as taking the place of proper management oversight and tracking. We also have concerns that prototypes can give an illusion of true progress while the issues of security. reliability and the ability to easily change the size and configuration have not been fully addressed. In many cases, before these prototypes are rolled out as production systems, very fundamental reworking is necessary.

23.50 Ironically, the government does not always apply to itself the performance measures it demands from its contractors. When the government contracts out its systems development work, it always demands cost and schedule performance measures of the contractor. In the in-house projects we examined, we did not see a project where the government applies these same requirements to itself.

Ironically, the government does not always apply to itself the performance measures it demands of the contractor.

Quality Assurance

23.51 Quality assurance is often confused with quality control. Quality assurance refers to a function upon which management, the client and the project sponsor can rely to satisfy themselves that the desired quality is being achieved. It involves the validation of all the processes that will be used to achieve the desired results. Quality control is a function that monitors deliverables and verifies, at each step of the process, that the proper results are in fact being produced. Quality assurance staff help to establish the criteria that will be used to verify the results. Quality assurance uses the results of the quality control to evaluate and improve the processes that produce the deliverables, and, over time, to ensure that responsibility for quality becomes part of everybody's job.

Having the quality assurance function report directly to senior management gives it the required authority to ensure that needed changes are made.

We conclude that in both in-house and contract projects, practices would need to be improved to provide assurance on timing and budgets.

Quality assurance needs to be an independent function

23.52 To be effective, quality assurance needs to be independent of development and operational management. It should have the authority to recommend and follow up on the changes required to the processes used by development and operational people. Having the quality assurance function report directly to a senior level of management gives it the required positional authority to ensure that needed changes are made. When senior management is perceived as supporting quality assurance, the buy-in of everyone involved in the project is more likely.

23.53 It is in the interests of the project sponsor, the project leader and management to strongly support the quality assurance function by means of an objective review that validates all the plans, standards and procedures applicable to the project. This will help to build confidence in project processes and results and increase the likelihood that the expectations of the clients and project sponsor will be met.

23.54 At Revenue Canada, there is no independent quality assurance function but quality control is addressed throughout. We are concerned that without a quality assurance function, the Department may not have the means to systematically assess and deal with the lessons learned from quality control.

23.55 At Industry Canada, no mechanism exists to ensure that the integration of the service with the content meets the expectations of clients, except for the feedback that the Department obtains from clients who choose to use electronic mail. We feel that this is inadequate for a web site that is intended to be the single window for businesses to obtain strategic information and to transact with the government. An independent quality assurance function could help to ensure that the Department achieved the full synergistic effect of

having its technology people working with its business information experts.

At Human Resources 23.56 Development Canada, management has taken concrete steps to establish an independent quality assurance function. A director has been appointed to co-ordinate all quality control activities and to examine the Department's development processes to outline deficiencies related to the Enhanced Framework. This quality assurance function is in its early stages and it is too early to predict how effective it will be in the future. Because Human Resources Development has been given the mandate to be the single window for all Canadians into all government job search activities, management believes that a fully supported quality assurance function is necessary to provide all the Department's partners and clients with the assurance that their expectations of a high-quality product will be fully met.

Conclusion and Recommendations

23.57 Comparison of in-house and contract projects. In three years, we have reviewed eleven projects, including four in-house ones. (For a report card on the previous eight projects audited, see Exhibit 23.3.) Although it was not our intention to prepare a detailed comparison of in-house and contract projects, we have seen similarities and differences in risk profiles that allow us to draw general conclusions. Overall, we conclude that in both in-house and contract projects, practices would need to be improved to provide the assurance that projects will meet their clients' needs on time and on budget.

23.58 In contrast to the contract projects examined in the past, the three in-house projects we reviewed this year were better aligned with the business objectives of the departments, partly

Exhibit 23.3

Report Card on Projects Reported in October 1995 and November 1996

Systems Reviewed	Departmental Actions	Implications	
Income Security Program Redesign (ISPR) at Human Resources Development Canada (HRDC)	In 1995, we reported that the ISPR project needed continuing corrective action by senior management. In 1996, the Treasury Board approved HRDC's submission for: a schedule adjustment and an increase of approximately \$80,000,000 to its budget; and some changes to the contracted deliveries. The Treasury Board withheld half of the budget increase pending the results of an independent risk analysis of the project. As a result of the risk analysis, management created a special team and gave it the authority to make all the decisions necessary to implement those functions that it believes will deliver the greatest benefits before the year 2000. After December 1997, any further development will be managed in-house.	All future work will be done using "chewable chunks" and detailed requirement specifications for reasonable time horizons, as recommended in our previous audits.	
Transport Canada's Integrated Departmental Financial and Materiel Management System (IDFS)	The IDFS was fully implemented in April 1996 at Transport Canada, on time and on budget. A cluster group of users of IDFS and Oracle Financials has been formed. It includes Transport Canada, the National Film Board, Environment Canada, Fisheries and Oceans, and NavCan, a non-government entity.	To better meet changing needs, including full compliance with Year 2000 requirements, an upgrade to a more recent release of the Oracle Financials package upon which IDFS is based, first scheduled for April 1997, is now due for April 1998.	
Common Departmental Financial System (CDFS) at Public Works and Government Services Canada (PWGSC)	Since we reported in November 1996, CDFS has been implemented throughout PWGSC. In addition, Correctional Service Canada, Statistics Canada, and several small agencies and clients are using CDFS. CDFS software and infrastructure are also used as part of the new project CFMRS (Central Financial Management Reporting System) that will replace the government's central accounting system.	PWGSC reports that the reuse of this software represents a possible cost reduction to the CFMRS project.	
Public Service Compensation System at PWGSC	As reported in October 1995, the Public Service Compensation System at PWGSC was terminated.		
Canadian Forces Supply System Upgrade (CFSSU) at the Department of National Defence	CFSSU represented a high risk of being late, of going over budget and of not meeting Department of National Defence requirements when we reported on it in November 1996. Since then, an intensive effort by National Defence management and the contractor has mitigated the risks by reducing the amount of custom programming needed. National Defence selected an off-the-shelf application rather than a custom-built one. National Defence also rescoped to simplify the systems architecture and to make better use of departmental resources.	There is a risk that the project may slip three to six months beyond the target date of September 1999, but project management still expects to meet project objectives and the overall budget of \$295 million.	

Exhibit 23.3 (cont'd)

Systems Reviewed	Departmental Actions	Implications
Tactical Command, Control and Communications System (TCCCS) being developed by National Defence	At an overall cost of \$2 billion, TCCCS represents the largest major capital project in systems development in the government today and its results are critical to the future effectiveness of our land forces. To overcome a six- to nine-month delay in some key segments of the project and operational commitments of the army, the final installation and training plans had to be modified significantly. Mitigation strategies for the numerous remaining risks are being devised and continuously updated. Despite the added pressure of slipping milestones, communications on the project are still open and candid and staff morale is high.	TCCCS is projected to be delivered on time, by the end of 2000, and within its overall budget.
Transport Canada's Canadian Automated Air Traffic System	The Canadian Automated Air Traffic System we reported on in 1996 was transferred to NavCan in November 1996 and, consequently, is no longer a major software development or major capital project of the government.	
Real Property Services (RPS) set of projects at PWGSC	In our November 1996 Report, we considered the Real Property Services development projects to be high-risk. The Assistant Deputy Minister has since taken a personal hand in re-examining the business cases for the projects, organizing a coherent overall plan, setting priorities on deliverables, encouraging an open sharing of information among the project staff, revising the corporate information technology strategy, and acquiring experienced managers to manage the seven projects left as a result of rescoping. In partnership with the Government Telecommunications and Information Services branch of PWGSC, management of Real Property Services is implementing the Treasury Board Enhanced Framework for managing systems development projects.	We are encouraged by management's prompt and decisive attention to these matters and consider it to be taking appropriate steps to mitigate the numerous risks that the RPS projects face in their efforts to implement state-of-the-art technology within a rapidly changing business environment.

because senior management was more closely involved in the planning and the execution of each project. In all cases, special care was taken to break down the project into more manageable components and to produce usable results quickly. There was also better use of in-house experience in business and systems and better overall communication because project reporting was complemented with informal communication. In-house projects also have the advantage of not being distracted by contract management.

23.59 We are concerned, however, that the level of discipline we found in contract projects, relative to standards, documentation and the management of change requests, is present in only one of

the three in-house projects reviewed this year.

23.60 Furthermore, two of the in-house projects carry a high risk of serious problems in the future because of poor planning methodology. In the area of task definition and tracking methodology, all the in-house projects examined are at high risk. Both in-house and contract projects have major deficiencies relative to setting up independent quality assurance functions.

23.61 Areas for improvement. In this year's audit, we looked at all aspects of project management; however, for reporting purposes, we have identified three areas where the best practices of project management are not universally

followed and where corrective action is needed to reduce the risks of in-house projects:

- project planning;
- · project tracking and oversight; and
- quality assurance, as an independent function.
- 23.62 Other critical factors. Although we focussed our attention this year on the above-noted three key factors in project management, the successful development and implementation of systems requires a combination of other critical factors that we have been describing over the years:
 - senior management involvement;
- sufficient "maturity" or capability for organizations to carry out major information technology projects;
- priorities properly set up and communicated with respect to time, cost and requirements;
- accurate, timely and effective performance measurement;
- effective user involvement and commitment to the success of the project;
- experience and expertise of the staff dedicated to the project; and
- the separation of large projects into smaller, more manageable components, each of which provides an improved capability to the organization.
- 23.63 To help reduce the risks of overly complex systems under development, departments should take the following actions, whether their projects are undertaken in-house or contracted out to other parties:
- Clients should be properly identified and involved throughout the project, from the planning stage to the final implementation.
- Detailed project plans should be prepared to permit proper project tracking and oversight.

- Business cases should be developed in accordance with the Treasury Board Secretariat's guide, Creating and Using a Business Case for IT Projects (1996).
- Project charters should be used to clearly establish all the parameters for managing the work and the resources needed for all projects and subprojects.
- An independent quality assurance function should be established for all projects.
- Subjective assessments of progress should be supplemented with objective measures such as time tracking.
- 23.64 We are suggesting the above-noted actions to departments knowing very well that, besides these recommendations, final success in the development of systems in government is a matter of adhering to a whole set of best practices in project management. These best practices are well documented by the industry, in the guidance from the Treasury Board Secretariat and in our reviews of systems under development in government.

Treasury Board Secretariat's response: The findings of the Auditor General are consistent with the results of the project reviews conducted by the Treasury Board Secretariat in early 1995 and with the subsequent improvement directions documented in the Enhanced Management Framework of May 1996.

The suggestions and recommendations of the Auditor General are consistent with the views of the Treasury Board
Secretariat, particularly as they apply to the first principle of the Enhanced
Management Framework — information technology (IT) projects are aligned with, and support, business directions and priorities. The importance of ensuring that the initial planning phase of a project is effectively performed has continually been shown to be critical for the ultimate success of the project.

Additional best practice solutions and a revised training and development

Best practices in project management are well documented by the industry, in the guidance from the Treasury Board Secretariat and in our reviews of systems under development.

program, to be made available in the new year by the Chief Information Officer Branch of the Treasury Board Secretariat, will further assist and support departments in improving their IT project management capacity.

The continuing support of the Auditor General's Office, both formally and informally, in this critical aspect of the government's work is most appreciated.

Revenue Canada's response: The issues have been presented fairly and factually. Accordingly, no additional detailed response was provided.

Human Resources Development Canada's response: The Department agrees with the recommendations presented in paragraph 23.63 and has initiated the following actions:

- 1. Business unit partners will be involved in project planning, development and implementation.
- 2. Project plans will be developed in sufficient detail to ensure proper tracking and management review.
- 3. Business cases will conform to the Treasury Board Secretariat's guide on Creating and Using a Business Case for IT Projects (1996).
- 4. Project charters will be developed for all existing and new projects.
- 5. Quality assurance has been implemented as a separate unit within Self-Service Systems and also within Systems Support and Implementation Services.
- 6. Time tracking will be implemented to the degree sufficient to provide an objective measure of progress.

Industry Canada's response: In the fall of 1994, Industry Canada undertook the formidable challenge of making the information highway better available to Canadian businesses through Strategis, by deciding to take advantage of the Internet, which, at the time, was still an emerging phenomenon. This unprecedented effort, which is still being carried out, required the dedicated commitment of all levels of management, with a focus on results. The Department started "small" and knowingly confronted the risks of rapidly changing technology to develop new relationships with its business clients. Today, almost three years later, this initiative has been extraordinarily successful by any measure and it has been widely commended.

Indeed, the Auditor General's comments in this report must be read in relation to a project that, in terms of the results achieved, has seen remarkable success in regard to clients' acceptance and use, with over one million visits to the site and some 10 million documents downloaded.

Calculated risks, new team-oriented ways of working, rapid prototype development, much faster cycle times, competitive internal business case resourcing mechanisms and a less ponderous management structure were all intentionally used, in order to be at the forefront of the new, fast-moving Internet medium. Quite simply, traditional IT project management methodologies would have been impediments to the timeliness of the required transformation.

Today, given the burgeoning success of Strategis, the Department is having to consider strategies for dealing with growth and increasing client demands that largely surpass initial expectations. Accordingly, we will be implementing steps to provide more stringent quality assurance and business planning, and involving our clients even more closely, but in such a manner as to not bureaucratize the current innovative, dynamic and responsive processes that are working well and providing "real-time" feedback.



About the Audit

Audit objective

The objective of this audit was to conduct risk assessments of three in-house development initiatives relative to best practices in project management.

Criteria

Our audit criteria were derived from best practices described in our 1993 Symposium on Best Practices, from industry best practices, as well as from Treasury Board policies and guidelines. More specifically, we expected that:

- system development efforts done in-house would apply high-quality project management practices;
- when compared with contract projects, in-house system development projects would use similar commonly accepted best management practices; and
- government projects managed in-house would rely on frequent consultations with, communications to, and involvement of potential users.

Scope

In this year's audit, we examined the three in-house systems under development that, at the time of the audit, were the most significant in government by their size and also served Canadians directly:

- the Standardized Accounting and Corporate Tax Redesign project at Revenue Canada;
- Self-Serve Systems at Human Resources Development Canada; and
- the Strategis project at Industry Canada.

As part of our audit, we also reviewed the status of eight other projects that we had examined in previous years:

- the Income Security Program Redesign at Human Resources Development Canada;
- Transport Canada's Integrated Departmental Financial and Materiel Management System;
- the Common Departmental Financial System at Public Works and Government Services Canada;
- the Public Service Compensation System, also at Public Works and Government Services Canada;
- the Canadian Forces Supply System Upgrade at the Department of National Defence;
- the Tactical Command, Control and Communications System also being developed by National Defence;
- Transport Canada's Canadian Automated Air Traffic System; and
- the Real Property Services set of projects at Public Works and Government Services Canada.

Approach

Our audit approach was the same as that used in previous years in auditing systems under development. In examining the implementation of in-house systems under development, we again conducted a risk assessment of the management of individual projects to determine what hinders or facilitates their successful completion and, as a corollary, to determine what lessons can be learned and shared among other projects.

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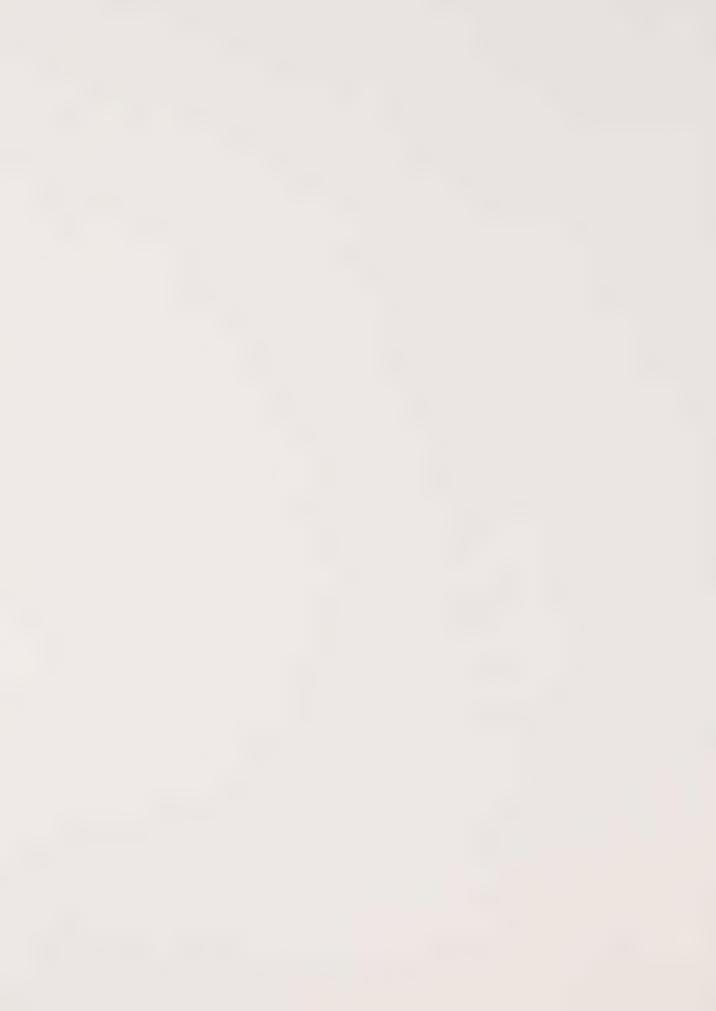
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Chapter 24

Agriculture and Agri-Food Canada – Prairie Farm Rehabilitation Administration

December 1997



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Report of the Auditor General of Canada to the House of Commons

Chapter 24

Agriculture and Agri-Food Canada – Prairie Farm Rehabilitation Administration

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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Chapter 24

Agriculture and Agri-Food Canada – Prairie Farm Rehabilitation Administration

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Assistant Auditor General: Don Young Responsible Auditor: Neil Maxwell

Agriculture and Agri-Food Canada – Prairie Farm Rehabilitation Administration

Main Points

- **24.1** Over the last six decades, the Prairie Farm Rehabilitation Administration, a Branch of Agriculture and Agri-Food Canada, has adapted its role to the changing demands for reclaiming land, developing water supplies and addressing sustainable development of the rural Prairie landscape. Its familiarity with local conditions, such as the risks of flooding in Manitoba, and its network of offices across Western Canada have enabled it to collaborate with provinces, producers and community-based businesses.
- 24.2 Although the Branch has adapted to the changing needs of the Prairies, it needs to clarify its strategic direction and priorities, linking its Business Plan, its operational planning and decision making and its financial planning to the results it expects to achieve.
- 24.3 Consistent with the Department's transition toward results-based management, the Branch has begun developing a results-oriented, targeted approach to planning and delivering its programs and the rural development agreements in which it participates with others. However, efforts to develop mechanisms to define, categorize, cost and prioritize regional needs within the scope of its mandate need to be accelerated.
- 24.4 Co-operative working relationships with an extensive network of partners across the Prairies have served the organization well. At the same time, there is an opportunity for the Branch to play a catalytic role of leadership with other levels of government to eliminate gaps in program delivery related to water quality, inventory and supply.
- 24.5 Approximately 698 full-time-equivalent staff deliver Prairie Farm Rehabilitation Administration programs from 30 offices, at a cost of approximately \$70 million per year. While the Branch has acted on a number of opportunities for cost reduction and cost avoidance, it continues to operate the programs and to plan future activities without reassessing the need for existing resource levels.
- **24.6** Cost recovery has been implemented for approximately \$10 million of its services, but there is an opportunity to expand these cost recovery initiatives. There is inconsistency in what is presently recovered. We are concerned that the public cost of certain activities may be disproportionate to the public good received.



Introduction

- **24.7** Agriculture and Agri-Food Canada is organized into eight branches. For reporting to Parliament, departmental programs are divided into six activities:
- Agricultural Research and Development;
- Policy and Farm Economic Programs;
 - Market and Industry Services;
- Rural Prairie Rehabilitation, Sustainability and Development;
- Corporate Management and Services; and
 - Canadian Grain Commission.
- 24.8 The Rural Prairie Rehabilitation, Sustainability and Development activity is delivered through one of the branches, the Prairie Farm Rehabilitation
 Administration. This departmental activity accounts for gross planned expenditures of \$ 74.9 million including an estimated \$10.4 million in revenues, for net expenditures of \$64.5 million in 1997–98. These expenditures represent 5.2 percent of the Department's total budget.
- 24.9 The Prairie Farm Rehabilitation Administration was established in 1935 to administer the Prairie Farm Rehabilitation Act. The scope of the Act is to secure the rehabilitation of drought and soil drifting areas in the Provinces of Manitoba, Saskatchewan and Alberta by the development and promotion of systems of farm practice, tree culture, water supply, land utilization and land settlement that will afford greater economic security. The Prairie Farm Rehabilitation Administration became a Branch of the Department of Agriculture in the 1950s. In 1969, it was transferred to the Department of Regional Economic

Expansion and was returned to the Department of Agriculture in 1983.

As shown in Exhibit 24.1, the Prairie Farm Rehabilitation Administration provides a variety of programs and services designed to promote resource care and rural growth. Its Business Plan defines "resource care" as "using Prairie land and water resources in a manner which can be sustained indefinitely" and "rural growth" as developing "a robust, growing and diversified economy within the rural agricultural areas of the Prairies." The Department has also used the Branch to deliver a wide variety of programs ranging from those that dovetail directly with the original mandate of the Branch to those that are of a significant departmental and government-wide priority. The Department sees the Branch as a key contributor to the Department and its broader policy agenda. At the time of our audit, the Department was in the process of ensuring that all its activities were aligned to support the achievement of its business lines. The Branch is seen as an important contributor to two of these business lines:

- Innovating for a Sustainable Future; and
- Strong Foundations for the Sector and Rural Communities.

Focus of the audit

24.11 The objective of the audit was to assess management practices with a view to determining whether specific areas require significant improvement. The focus of the audit was the Prairie Farm Rehabilitation Administration and the co-ordination of its programs and activities with those of other organizations in the Department. For additional details, see the section entitled About the Audit at the end of the chapter.

Agriculture and Agri–Food Canada – Prairie Farm Rehabilitation Administration

Exhibit 24.1

Prairie Farm Rehabilitation Administration Operating Environment



Mission Statement:

Working with Prairie people to build a viable agricultural industry and to support a sound rural economy, healthy environment and a high quality of life upon which agriculture depends.

Observations and Recommendations

Strategic Direction, Objectives and Priorities

Only 5 percent (about 46 million hectares) of Canada's vast terrain is suited to crop production, of which 85 percent (about 39 million hectares) is in the Prairie provinces. According to a departmental report entitled "The health of our soils, towards sustainable agriculture in Canada", soil degradation is the most serious threat to the agriculture industry in the long term. For example, recent studies have shown that 5 percent of cultivated Prairie farmland is at high to severe inherent risk of water erosion, and 20 percent of the cultivated land continues to be at risk of moderate to severe wind erosion.

24.13 The Branch is proud of its culture of responsiveness in helping individuals, organizations and communities (see Exhibit 24.2). This commitment is reflected in its stated mission of "working with Prairie people to build a viable agricultural industry and to support a sound rural economy" (for example, providing technical irrigation expertise), "healthy environment" (such as for town water supplies and sewage treatment) "and

a quality of life upon which agriculture depends". The primary objective of the *Prairie Farm Rehabilitation Act* is to rehabilitate the drought and soil-drifting areas in the Prairie provinces, and to develop and promote systems of farm practice that will afford greater economic security. Over the past 10 years, the organization has also administered and delivered to farm and non-farm clients an increasingly wide array of programs and services outside its traditional activities.

24.14 Local delivery, responsiveness to client needs, and adapting its role to changing demands are essential characteristics of the operations of the Prairie Farm Rehabilitation Administration. Its familiarity with local conditions, such as the risks of flooding in Manitoba, and its network of offices across Western Canada have enabled it to collaborate with provinces, producers and community-based businesses. Although Part III of the Estimates makes no reference to it, Client Services is an activity that the Prairie Farm Rehabilitation Administration considers significant to its operations. This is an advisory/consultative service that has many aspects, ranging from providing technical assistance in the form of analysis and project advice to facilitating partnerships with other levels of government, agencies, groups or

The Branch is proud of its culture of responsiveness in helping individuals, organizations and communities.

The Prairie Farm Rehabilitation Administration's culture of responsiveness is evidenced by its role during the 1997 flooding of the Red River Valley of Manitoba.

To assist in the flood preparations, the Prairie Farm Rehabilitation Administration:

- led the departmental emergency response team;
- assembled data from various sources on, for example, locations of farmstead and livestock
 operations, and translated the data into its Geographic Information System (GIS). This
 information was made available to the Armed Forces, Royal Canadian Mounted Police, and the
 Canadian Coast Guard for their respective evacuation and monitoring activities;
- prepared an inventory of available pumps within the Prairies for the Emergency Management Operations and assisted with the installation of a 23 km overland water pipeline to provide a supply of potable water;
- relocated 19 survey crews to help calculate a suitable height for temporary dikes and provided administrative staff to assist with evacuation preparations; and
- made available two community pastures for livestock evacuation.

Exhibit 24.2

Responding to the Risks of Flooding

Agriculture and Agri–Food Canada – Prairie Farm Rehabilitation Administration

The 1997–98 Prairie
Farm Rehabilitation
Administration
Business Plan is
deficient in many key
areas.

departments. It also extends to helping clients access financial assistance through existing "sunset" programs and agreements delivered by the Branch, and other federal and provincial programs that might be useful to them. According to the Prairie Farm Rehabilitation Administration, the Client Services activity expends between 5 and 10 percent of regional budgets.

24.15 This culture of responsiveness is now being tested by pressures on the Branch to provide additional services, including work in such diverse areas as rural economic development and ecotourism. Many of these activities have extended beyond the Branch's 1935 legislative mandate to manage Prairie soil erosion and water development, and to develop and promote systems of farm practice that will afford greater economic security.

The organization's domain has 24.16 also been realigned geographically. In 1989, it expanded beyond the original three Prairie provinces to undertake activities in parts of northern British Columbia, where conditions are similar to areas in northern Alberta. It has gone on to reallocate resources for additional regional offices in northern Alberta and northern Saskatchewan. During the same period, the financial resources, number of staff and technical expertise available to service this diverse demand have been reduced. Throughout this time of expanding activities along with geographic extension, shrinking resources and decentralization, the needs and demands for land and water management have continued.

Need to define strategies for dealing with soil and water rehabilitation

24.17 Given this period of transition, we expected to find a detailed Business Plan describing new strategies, priorities, objectives, working relationships with other government agencies, and resource adjustments.

24.18 We found that the 1997–98 Prairie Farm Rehabilitation
Administration Business Plan is deficient in many key areas. It does not define a clear strategic direction for current and emerging land and water issues that impede rehabilitation of the agricultural Prairie landscape. It does not identify what is to be achieved in which locations, and over what period of time. Nor does the Plan indicate how funds and resources will be allocated to achieve the strategic objectives in view of increasing and divergent demands.

24.19 As shown in Exhibit 24.3, approximately \$40.1 million of the Branch's \$74.9 million budget for 1997–98 is directed to resource care. The remaining \$34.8 million (46.5 percent of the budget) is focussed on rural growth. Approximately 200 of the Branch's 698 staff are allocated to work in this area and are facing a reduction of more than \$20 million in agreement funding. Yet the Business Plan makes no mention of how this reduction will affect rural growth program delivery or human resource allocation.

The Department acknowledges that the Business Plan has shortcomings, but sees it as an important first step in order that the Branch may articulate clearly its strategic direction in the near future. We note, as well, that the Branch recognized the need for a new planning framework at the time the government's revised Expenditure Management System was announced in 1995, and began a regional work planning process and a new Branch business planning process. Unfortunately, these annual plans prepared by the Branch's regional and district offices are also limited by the absence of a clear strategic direction. The Prairie Farm Rehabilitation Administration is a highly decentralized service organization that develops 5 regional plans and 22 unique district work plans each year, in response to general guidance from headquarters and to specific local issues. Our review of

these plans identified a wide range of interpretations of the Branch's strategic direction.

24.21 We were unable to find a definitive or consistent statement of what rehabilitating the Prairies means today or will mean in the future. Branch representatives were unable to clearly define what or who is to be included in, or excluded from, rehabilitation and what these terms mean in the context of the Prairie Farm Rehabilitation Act. This broad interpretation of direction and terminology is reflected in the wide regional variations in allocation of resources, setting of priorities, and procedures for project monitoring and inspection.

24.22 The lack of a shared understanding of terminology and strategic direction has the potential to

impede the pace and consistency of rehabilitation across the Prairie landscape. Without reference to a management strategy to guide and target activities, it is difficult to see how the Prairie Farm Rehabilitation Administration can act with cohesion, either internally or with its partners. Such a management strategy needs to be formulated in concert with other federal-provincial agencies and agri-food stakeholders, with the Branch acting as a leader and catalyst.

24.23 The need for co-ordination with other levels of government has become increasingly evident from the nature and magnitude of emerging agricultural and environmental issues facing the Prairie provinces. One gap in program delivery identified by both the Prairie Farm Rehabilitation Administration and provincial officials was in monitoring the quality, quantity and location of surface

Exhibit 24.3

Prairie Farm Rehabilitation Administration Budget Allocation

	Resou					
Year	Budget Allocation (\$000)	Human Resource Allocation	Budget Allocation (\$000)	Human Resource Allocation	Total (\$000)	Total (full-time equivalents)
1997–98						
Core Funding	40,100		13,500		53,600	
Agreement Funding	_		21,300		21,300	
Total	40,100	498	34,800	200	74,900	698
1998–99						
Core Funding	40,300		12,500		52,800	
Agreement Funding	_		30,600		30,600	
Total	40,300	495	43,100	198	83,400	693
1999-00						
Core Funding	40,200		12,700		52,900	
Agreement Funding					_	
Total	40,200	495	12,700	198	52,900	693
2000-01						
Core Funding	40,200		12,700		52,900	
Agreement Funding	_				-	
Total	40,200	495	12,700	198	52,900	693

One gap in program delivery was in monitoring the quality, quantity and location of surface water and groundwater.

water and groundwater. This information is important as a basis for future decisions on economic development and environmental sustainability. It also highlights important health issues. For example, in the early 1990s a federal-provincial assessment of water quality in one province found that 258 of 528 communities surveyed were having water quality problems. Most of them could not meet health-related objectives, or lacked minimum water treatment. Some simply did not test their drinking water at all. Water quality issues are beyond the sole responsibility of the Branch, and hence addressing them requires co-ordination of federal, provincial and municipal efforts.

The first task in setting strategic policy direction and objectives for the future is to clarify the broad statement of intent in the Prairie Farm Rehabilitation Act, namely, rehabilitation of the drought and soil drifting areas in the provinces of Manitoba, Saskatchewan and Alberta by the development and promotion of systems of farm practice, tree culture, water supply, land utilization and land settlement that will afford greater economic security. This statement needs to be transformed into clear, consistent and measurable objectives to provide a basis for program design, management and accountability.

24.25 The Prairie Farm
Rehabilitation Administration should
define and prioritize current and
emerging land and water management
issues on the Prairies, identify the
associated resources required and, in
concert with the provinces, other
federal agencies and industry, develop
strategic objectives with measurable
outcomes. The strategic direction should
be outlined in its Business Plan and put
into operation in each of the regions.

Department's response: The Department appreciates the Auditor General's

recognition of PFRA's continuing ability to adapt to changing circumstances.

Although the Branch has proven its ability to identify and respond to emerging priorities, it recognizes that the current pace of change across the agriculture and agri-food sector, coupled with declining departmental resources, necessitates a more strategic, results-oriented approach to the planning and delivery of its activities. To this end, and as part of the Department's transition toward results-based management, PFRA is actively participating in the development of the Department's Performance Reporting and Accountability Structure (PRAS). The PRAS will clearly articulate, in measurable terms, the outcomes that the Department is working to achieve on behalf of Canadians. Ultimately, it will drive specific planning and resource allocation within the Department, using a business line approach to management ensuring that departmental resources are targeted toward the achievement of results.

As part of this broader departmental effort, PFRA is working to more clearly define its strategic and operational objectives as well as resource requirements for key result areas where it has sole or shared accountability with others. PFRA will continue this work in keeping with its history of co-operating with partners and stakeholders to make sure its services are complementary to those provided by others. Sustainable development will continue to be a cornerstone of PFRA's efforts on the Prairies. This will be reflected in future Business Plans.

Aligning Programming and Resource Allocation with Priorities

Requirement for results-oriented programming based on greatest need

24.26 The Prairie Farm Rehabilitation Administration needs to make better use

Agriculture and Agri–Food Canada – Prairie Farm Rehabilitation Administration

of existing strategic information to implement and develop programs. Reorganization of the Branch during the fall of 1992 resulted in the formation of a Geographic Information Services Unit that concentrates solely on the development of geographic information systems (GIS). Considerable information was added to the geographic information systems during the delivery of the Western Grain Transition Payments Program, which was completed in the spring of 1997. GIS is a technological tool that collects and presents information and more accurately positions and maps high-risk areas. The Branch is using GIS as an analytical tool but, as Exhibit 24.4 illustrates, the Branch has not yet used this information to assess and target areas of highest risk.

24.27 Strategic information was also used to develop the Permanent Cover Program. This program was initially a Western Canada component of the National Soils Conservation Program (\$24 million) and continued under the Farm Support and Adjustment Measures Program (\$50 million). Both components provided assistance to producers to address specific soil degradation problems in each province.

After consulting with producers, Branch officials made a strategic decision to target marginal lands, based on degradation potential using soil class and municipal land assessments. Marginal lands were defined as those at high risk of wind or water erosion, those with high salinity, and those with acidic or problem "solonetzic" soils. Soil classes 4, 5 and 6, as defined by the Canada Land Inventory, were used as a practical approximation of these soils. These lands would provide a much lower yield of cereal crops unless inputs (fertilizers, etc.) were significantly increased, and would provide only a marginal rate of return to the producer. Land use and soil conditions were evaluated and classified, and maps of high-risk and problem soil areas were prepared for each Prairie province. The maps were used to estimate the amount of marginal land at 5.8 million hectares, or approximately 15 percent of the total cultivated area in the Prairie provinces (39 million hectares). Options to address the problem areas were then explored and producers were consulted further. The resulting program provided a payment to producers to convert eligible land to perennial forage or tree cover.

In 1902, the Department of the Interior established the Shelterbelt Centre. As the Centre's name implies, its original purpose was to produce and distribute trees to provide shelter from the wind, thus reducing soil erosion and improving snow management. Between 5 million and 7 million tree seedlings are distributed annually to approximately 10,000 recipients (farmers, ranchers, First Nations, towns, villages and cities, owners of small rural holdings, and charitable organizations), mainly in Manitoba and Saskatchewan, at an annual cost of approximately \$3 million. Between 1,500 and 2,000 km of field shelterbelts are planted each year. The Prairie Farm Rehabilitation Administration has the tools to monitor the Prairie landscape by remote sensing (satellite photography) in conjunction with its own geographic information systems (GIS). Such information is able to reveal areas of highest risk to soil.

Although the Branch has the information/intelligence to determine areas of highest risk to soil, available tools are not being used to identify locations requiring different amounts of soil damage prevention by tree shelterbelts, to rank priority planting areas, and to assess total needs for tree seedlings to reduce field soil erosion and improve snow management in the Prairie landscape. For example, numerous reports received by the Prairie Farm Rehabilitation Administration indicate that the drought of the 1980s has reduced the life span of existing shelterbelts. We were unable to identify a Branch strategy to address the impact of these major droughts on shelterbelts, nor is there a clear statement of what it expects to be accomplished over specific time frames.

Exhibit 24.4

Shelterbelt Centre, Indian Head, Saskatchewan









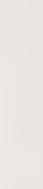






















Edmonton

























Source: Prairie Farm Rehabilitation Administration

Note: PFRA - Prairie Farm Rehabilitation Administration PCP - Permanent Cover Program

24.29 The Permanent Cover Program removed roughly 0.52 million hectares of marginal land from annual crop production, at a cost of \$74 million. It was considered a success, based on the results of a client survey and interviews of provincial agencies. However, as displayed in Exhibit 24.5, many of the Permanent Cover Program agreements with farmers fall outside the concentration of marginal land identified during the program design stage.

Although strategic information was used to guide the design of the Permanent Cover Program, this identification of areas of high risk and problem soils was not used to guide program implementation. Recognizing that smaller parcels of marginal land can exist within individual farmers' cultivated lands and yet fall outside the large tracts of marginal land identified on the Prairie-wide landscape map, the Branch made the program available across the Prairies. As a result, the program as implemented was not targeted to specific concentrations of class 4, 5, and 6 land. Each land parcel application was evaluated using a variety of tools, including municipal assessment information, aerial photography and on-site inspections.

24.31 Regions and districts were not given specific goals for the amount of land that was to be removed from production in each geographic area or the relative importance to be given to, for example, class 6 land (severe cultivation risk) and class 4 land (moderate cultivation limitations). The percentage of cultivated marginal land most at risk of soil erosion (classifications 5 and 6) that was successfully removed from production is not known. The actual average production per acre removed was 18.29 bushels in Manitoba, 11.31 bushels in Saskatchewan, 18.41 bushels in Alberta, and 27.4 bushels in the Peace River District of British Columbia. We were told that the uptake for the program

in the Prairies depended on the amount and location of cropped marginal land, the initiative of district staff, and knowledge of this new program among land owners. The lack of specific targets or incentives in those areas where there was a concentration of marginal land provides a partial explanation for the uneven distribution of program sites among districts, shown in Exhibit 24.5.

Consistency required in project identification, evaluation and selection

24.32 As budgets continue to decline, the need becomes much greater for a systematic decision-making process in order to be fair and to obtain greatest value for money. Lower-priority projects may have to be stopped and resources redirected. Current government restraint comes at a time when the objectives of the Prairie Farm Rehabilitation

Administration are expanding to take into account economic and social issues as well as traditional issues of resource sustainability.

24.33 There are significant differences among regions and districts in program services delivered. The demand for such services, and the available time of staff, depend on the number of programs being delivered in the region, the characteristics of the region, and producers' knowledge of the programs. Given that the regions and districts have comparable resource levels, the variability in demand leads to the provision of different services. In the Rural Water Development Program, for example, water supply for domestic use can receive financial assistance in the south Saskatchewan region, but not the southern Alberta region. There are also differences in the amount of direct contact staff members have with program recipients. In the Dawson Creek District of British Columbia, staff may visit a producer's farm three times to assess the feasibility of a project, assist in preparing the application, and inspect the finished project. In contrast, for many projects in the Brandon District of Manitoba there is

Many of the Permanent Cover Program agreements with farmers fall outside the concentration of marginal land identified during the program design stage.

Agriculture and Agri–Food Canada – Prairie Farm Rehabilitation Administration

no staff contact with the producer. The application is received and approved, and funds are disbursed on receipt of evidence that the project has been completed.

There is also significant 24.34 variability in the processes for prioritizing projects at the district office responsibility centres and determining the appropriate level of funding for a particular project. Each of the 22 district offices has its own method of choosing which rural water development projects will be funded within general guidelines. We also found that the Prairie Farm Rehabilitation Administration has provided technical support for a wide variety of water supply projects, including wells, regional pipelines, water supplies for economic development, and uses for waste water. Yet we found little guidance on what types of activity merited support. While overall outcomes are determined by local demand and activities, without a systematic decision-making process to direct resources to maximum benefit and guide project selection by district offices, there is a risk that federal funds are not being put to optimum use.

24.35 Although it is an organization with a highly decentralized decision-making system, we found that the Prairie Farm Rehabilitation Administration has not established qualitative and quantitative decision-making tools to assist responsibility centres in selecting among competing projects. They need these tools to help them answer the following questions: Is it a good investment? What resources should be allocated? How should success be defined?

24.36 While it is appropriate that the Prairie Farm Rehabilitation
Administration tailors its programs to meet regional differences, it has not yet established which activities should be given priority under which circumstances, or defined an appropriate level of resources for optimum program support.

As we have already indicated, the Branch's corporate objectives are too general to enable it to do so and they do not specify what is to be achieved, in which locations, and over what periods of time.

Regional resource allocation not linked closely to needs

24.37 We expected that in conjunction with defining its objectives in measurable terms, the Prairie Farm Rehabilitation Administration would optimize and target its activities to achieve the objectives cost-effectively.

24.38 Each Prairie Farm Rehabilitation Administration region or district is unique. Considerable environmental, social and economic differences exist among them. For example:

- the potential water supply and corresponding development techniques vary across regions and districts;
- the population density varies from district to district;
- the types and number of farms and commodities produced vary;
- the risks of soil erosion, drought, or flood vary from district to district; and
 - local priorities vary.
- 24.39 In the interlake region of Manitoba (Beausejour District), groundwater is shallow and readily available. As a result, individual wells are usually less than 100 feet deep. With the end of the Western Grain Transportation Subsidy, the Department expects to see an increase in forage crops and cattle production. There has also been an expansion in the number and size of hog barns and this trend is expected to continue, with the region doubling its hog production over a five-year period. These increases in livestock production can present an increased risk of groundwater contamination if proper manure management procedures are not followed.

or district is unique.

Administration region

Each Prairie Farm

Rehabilitation

24.40 In contrast, groundwater in west central Saskatchewan (Rosetown District) is not always available, wells are often 300 to 400 feet deep, and the quality of the groundwater is poorer. Producers must often rely on surface water, and many have dugouts that are more than 10 years old. The quality of surface water is also a problem, and in many instances the water is not treated to remove bacteria. An option, equally unattractive, would be to truck the water needed for farm and domestic use from some distance away. In this region the Branch favours rural pipelines, as they provide a more dependable and better alternative. The population of the district is approximately 45,000.

24.41 The Red Deer District in central Alberta represents our final look at different characteristics. The population of this district, not including Calgary, is over 300,000, more than 15,000 of whom are farmers. Unlike most other parts of the Prairies, this district has seen an increase in the number of farms in the past 15 years. Surface and groundwater normally are readily available to the western two thirds of the district. With good transportation and water source, this area has a number of intensive livestock operations and cattle grazing areas whose runoff impacts on surface water quality. Nearby urban water treatment plants often have difficulty dealing with high contaminant loads. The land use objectives of urban and rural inhabitants are often in conflict.

24.42 We found that in spite of these differences, the Rural Water Development Program budget is divided evenly among the five regional offices rather than reflecting each region's individual requirements.

24.43 The Prairie Farm Rehabilitation Administration uses a similar approach to resourcing each of its offices. All have comparable, if not identical, staff structures and do not reflect district and

regional differences. While discussing this across-the-board approach with Branch management, we were told that competing economic, environmental and rural development objectives tend to neutralize local differences.

24.44 The Prairie Farm
Rehabilitation Administration should identify the areas of the Prairie landscape at greatest risk and most in need. It should develop a strategic implementation plan identifying how these needs will be prioritized and acted upon, and what results are to be achieved.

Department's response: PFRA uses a variety of analytical tools in order to assess risks and identify needs related to land and water capability on the Prairies. Information gathered through the use of such tools enables PFRA to evaluate the extent to which potential projects identified by stakeholders and clients can be expected to contribute to rural sustainability on the Prairies with an appropriate benefit to Canada. Geographic Information Systems is one such analytical tool, which, as the Auditor General recognizes, has only been at PFRA's disposal for a relatively short period of time. As GIS data become available on a Prairie-wide and/or regional basis, its cost-effective use as one of several available inputs to the Branch's strategic and action planning process will be enhanced.

In keeping with the strategic direction, methods of assigning priority to projects and regions will be developed along with the appropriate performance criteria.

Sunset programs impact on the delivery of core programs

24.45 Over the past 20 years, the Prairie Farm Rehabilitation Administration has been called upon increasingly by the Department to deliver a wide variety of fixed-term or "sunset" programs. Many of these are cost-shared with the provinces, and have included livestock and crop

In spite of these differences, the Rural Water Development Program budget is divided evenly. Agriculture and Agri–Food Canada –
Prairie Farm Rehabilitation Administration

drought assistance, Green Plan agreements, rural economic development agreements, and the Western Grain Transition Payment Program, among others. The role of the Prairie Farm Rehabilitation Administration in planning and implementing these programs has ranged from leadership to facilitation.

- 24.46 While some of these sunset programs may complement and enhance the Branch's core programs, others are not directly related to these traditional activities.
- 24.47 We were advised by Prairie Farm Rehabilitation Administration officials that the trend to programs with fixed terms is expected to continue. The human resources to deliver these additional programs have often been drawn from the existing staff pool of the Prairie Farm Rehabilitation Administration. Many Branch managers informed us that even where funds have been provided, the transfer of experienced and professional staff to non-core programs may have affected the delivery of core programs.
- 24.48 This expanded program workload has affected, to varying degrees, the district offices' ability to deliver core programs. For example, at most of the seven district offices we visited, soil conservationists had been diverted from regular activities to manage the Permanent Cover Program during its delivery period. Similarly, district water management experts had been reallocated to administer federal-provincial water development programs or waste treatment projects in Saskatchewan and Manitoba.
- 24.49 The demands of sunset and special programs have also highlighted a mismatch between the locations of the 22 district offices and the areas of greatest demand. Saskatchewan districts have had to administer a greater number of programs, including the Partnership Agreement on Rural Development, the Partnership Agreement on Water-Based Economic Development, the Permanent

Cover Program and Green Plan projects. They also provide administrative services for the community pastures. Alberta districts, however, have had to administer only the Permanent Cover Program and Green Plan projects. Districts in Saskatchewan and Alberta have identical levels of resources, even though the delivery burden is greater in Saskatchewan.

- 24.50 We are not suggesting, by these comments, that it is inappropriate for the Branch to be used to deliver sunset programs that are not directly related to its core activities. In some cases, its familiarity with local conditions and its network of field offices across Western Canada make it an attractive alternative to creating a new delivery mechanism to implement sunset programs.
- 24.51 However, one of the key strategic questions that the Branch and the Department need to address is how to strike the appropriate balance between core and sunset programs. They also need to consider the related question of whether the Branch can continue to divert substantial resources away from core programs for lengthy periods of time without compromising the effectiveness of these core programs.
- 24.52 In making decisions to task the Branch with delivery of future sunset programs, the Department should analyze and consider the potential impact on the Branch's core programs and whether existing Branch funding and staff resources are sufficient to deliver both effectively.

Department's response: The Department and PFRA share a good deal of pride in PFRA's proven track record as an organization that has successfully delivered sunset and other programs to Western Canadians effectively and efficiently. This track record was recently reinforced by the Auditor General's positive assessment of PFRA's delivery of the Western Grain Transition Payments Program. PFRA's decentralized

One of the key strategic questions that the Branch and the Department need to address is how to strike the appropriate balance between core and sunset programs. organization and land- and water-based implementation capabilities give it a unique capacity for client-direct delivery. For these reasons, the Department has turned to PFRA as the organization best positioned to address a number of key departmental priorities.

It should be noted that PFRA's mandate extends beyond the PFRA Act to include the delivery of other departmental programs, providing flexibility in determining how PFRA can best help the Department address key priority areas while meeting its obligations under the Act.

The Department affirms the importance and continued relevance of PFRA's core mandate. New demands for PFRA services will be assessed in light of all relevant factors.

Need for a consistent approach to inspection and monitoring

24.53 The Prairie Farm Rehabilitation Administration works with or through many partners and clients. Its objectives may not always be the same as those of the people it is working with. Hence, it needs mechanisms to ensure that the results of specific activities are those that were intended.

24.54 We expected that the Prairie Farm Rehabilitation Administration would have risk-based quality control and cost control procedures in place to ensure that projects are implemented as specified in the program design.

24.55 We found that the Branch's approach to monitoring and inspection is inconsistent. For example, in the districts we visited we found that the soil conservationists spend time every year monitoring the land taken out of cultivation by the Permanent Cover Program. In contrast, only some districts inspect individual Rural Water Development Program projects upon completion. In many cases, we could find

no evidence of a site visit after a water well was drilled, or that a project's long-term effectiveness had been evaluated. Similarly, it was unclear how the planting and performance of shelterbelt trees are being monitored under the shelterbelt program.

24.56 The Prairie Farm Rehabilitation Administration should implement a consistent, cost-effective and risk-based program of monitoring and inspection.

Department's response: The Branch has monitoring and inspection systems in place for the majority of the programs it operates. In the case of the Rural Water Development Program, projects accounting for over 75 percent of the program expenditures are inspected. The Department is of the opinion that the cost of conducting inspections for small individual projects could exceed the value of Canada's contribution. PFRA will improve on the methods of reporting inspection activity and develop guidelines for this purpose.

Opportunities to Improve Cost Effectiveness and Cost Recovery

Opportunities for cost savings exist

24.57 Programs and services that are delivered by Branch staff across the Prairies are complemented by an extensive network of partnership agreements with federal, provincial and municipal agencies. The composition of the staff is presented in Exhibit 24.6.

24.58 Of the 698 full-time-equivalent staff, approximately 260 are located at the regional and district offices. Another 265 manage 915 thousand hectares of community pastures, a tree nursery and two research and demonstration centres.

24.59 As shown by examples in Exhibit 24.7, the Prairie Farm Rehabilitation Administration has made progress over the last 10 years in reducing costs in a number of areas.

Prairie Farm
Rehabilitation
Administration has
made progress over
the last 10 years in
reducing costs.

In one district, we found at least 40 different federal, provincial, regional, municipal, and industry groups and associations all working in the area of economic development.

24.60 Each of these reductions focussed on a particular aspect of the Prairie Farm Rehabilitation Administration, or was carried out to comply with Department-wide cuts in spending at a particular time.

24.61 There has also been some progress in other areas of cost avoidance. Most significant is the emphasis placed on collocation, with some Prairie Farm Rehabilitation Administration district offices and one regional office sharing accommodation and support services with other branches of the Department, or with provincial counterparts. In 1995, the Prairie Farm Rehabilitation Administration reduced its vehicle fleet as part of a Department-wide initiative. Over the past five years, it has reduced its number of vehicles by a total of 37 to approximately 400, or by 9 percent. However, in the same period of time its staff has decreased by 17 percent. The ratio of vehicles to staff has not been reduced. This is partially explained by the fact that many of the staff reductions in the past five years were in administrative positions, which never required the use of a vehicle; and technical staff were relocated from headquarters to the district offices, where they did need a vehicle.

We expected that as part of 24.62 implementing its new vision and mission statements, the Prairie Farm Rehabilitation Administration would have developed a strategy to realign its resources geographically, providing greater operational flexibility to respond to shifting needs. An appropriate realignment strategy would entail office expansion/closure/downsizing in line with changing demands and resource availability. We found that no strategy of this nature has been developed and resources have not been redeployed. Their current distribution is shown in Exhibit 24.8.

24.63 A challenge for the Branch is to promote effective leadership and to be proactive in fields where there are many existing and potential partners. We observed that provincial governments in the Prairies are also active in the fields of rural development and water and soil conservation and development. In one district we visited, we found at least 40 different federal, provincial, regional, municipal, and industry groups and associations all working in the area of economic development. The need to co-ordinate program delivery will intensify between 1997-98 and 1999–2000 as existing sunset programs expire, reducing the Prairie Farm Rehabilitation Administration's budget from \$74.9 million to \$52.9 million (see Exhibit 24.3).

24.64 Much of the Branch's ability to be proactive depends on its ability to collect and analyze information on very diverse subjects, from conservation farming to endangered species. At the same time, other public sector and private sector groups are performing similar functions. There is an opportunity to reduce costs by sharing with other organizations not only information gathered but also analysis performed.

24.65 To ensure that gaps are avoided and overlap and duplication minimized, agreement needs to exist on not only the

Exhibit 24.6



Source: Prairie Farm Rehabilitation Administration

nature and level of the program being delivered by each party but also the responsibilities of each party. This includes managing issues such as the gathering, maintenance and analysis of data. We found that the Branch and the provinces tend to independently gather, maintain, organize and analyze information/intelligence for use in developing policies and programs.

24.66 The Prairie Farm Rehabilitation Administration has a memorandum of understanding with the provinces on several areas of responsibility (for example, water development). It has also begun to work with one province to develop and negotiate a memorandum of understanding outlining their respective responsibilities for program delivery. The various aspects of program development and monitoring are currently being developed.

24.67 An opportunity for the Prairie Farm Rehabilitation Administration to

meet the challenge of its mandate with reduced resources is to "lever" its resources with the aid of partners. Its broad, ecologically based mandate to address "drought and soil-drifting areas" leaves it uniquely situated to do this kind of levering. The mandate cuts across four provincial boundaries and interacts with the mandates of departments at both the federal and provincial levels. For example, agriculture is a shared federal-provincial responsibility; and water quality and supply are managed by departments and agencies at both the federal and provincial levels. The Prairie Farm Rehabilitation Administration has an opportunity to be a powerful integrating force for management and change across the entire Prairie landscape. It can also use this opportunity to amplify the effect of its diminishing resources.

24.68 The Branch needs to balance external demands with its core program mandate, reach agreement with the provinces and with other federal agencies

The Prairie Farm
Rehabilitation
Administration has an opportunity to be a powerful integrating force across the entire Prairie landscape.

- During 1993–94, the Prairie Farm Rehabilitation Administration reduced its geotechnical division from 50 people to 12. These positions were eliminated or reassigned and the function that remains is performed by using outside contractors.
- As part of Program Review, it cut 8 percent of its staff budget. Most of these cuts were in
 administrative positions, in an attempt to minimize the direct impact on service to clients. The
 method of dealing with the reductions entailed increasing the authority delegated to the regional
 and district offices, thereby decreasing the need for administration in the head office in Regina.
- The government's Work Force Adjustment initiative resulted in a staff reduction of 74 people
 when those employees took advantage of the Early Retirement and Early Departure Initiatives.
- Over the past 10 years, shared management has been implemented at 24 of the 87 community pastures.

Exhibit 24.7

Examples of Progress in Reducing Costs

	Alberta/B.C.	Saskatchewan	Manitoba	Total
Number of Regional Offices	2	2	1	5
Number of District Offices	8	10	4	22
Staff	89	119	52	260
Regional Operating Budget (\$000s)	4,675	6,020	2,749	13,444

Exhibit 24.8

Distribution of Resources among Regions and Districts

on roles, responsibilities, and results to be achieved, and align its resources and technical expertise accordingly.

24.69 The Prairie Farm
Rehabilitation Administration should
reassess the geographic distribution and
cost effectiveness of its current network
of offices and resources in line with its
evaluation of strategic issues, needs and
potential partners.

Department's response: With its reorganization in 1993, PFRA reallocated resources to a wider network of district and regional offices to improve geographic coverage and client access within the area it services. Efforts to clarify the Branch's strategic direction, currently under way, will facilitate further assessment of resource allocation taking into account differences in local needs and opportunities across the Prairies region.

Some costs are being recovered

- **24.70** In 1989 the government released a policy on the recovery of revenue for services provided by the federal government. The objectives of this policy are:
- where appropriate, to promote fairness by shifting the costs of a particular program or activity from taxpayers at large to those specific users who benefit most directly from them;
- to promote a more efficient allocation of resources by introducing a market-type discipline on the demand for and the supply of goods and services.
- 24.71 Departments were expected to review their programs to determine whether consideration should be given to requiring users to pay "their fair share of the costs of services and facilities, and appropriate fees for rights or privileges." In areas where fees are appropriate, "departments must develop their own strategies on what should be charged for, how much will be charged, and who will pay."

- 24.72 Government direction on revenue generation encourages departments to generate revenue from the products of research activities that have market and revenue potential for example, hybrids of plant species, farm animals, and equipment.
- **24.73** The principle of sharing the cost of services with those who derive a private benefit from them was endorsed in the federal Budgets of 1993, 1994 and 1995.
- **24.74** We expected the Prairie Farm Rehabilitation Administration to have clearly defined strategies of cost recovery for services, based on user profiles and a pricing rationale. In addition, we expected that it would have identified opportunities to generate revenue.
- 24.75 In presentations to the House of Commons Standing Committee on Agriculture and Agri-Food, the Department outlined the basic principles of cost recovery that it has been following. "Our approach to program redesign is a blend of cost reduction, cost avoidance and cost recovery....Cost recovery will apply to those activities from which private benefit is attained....Cost recovery will be applied equitably for similar activities and commodities of comparable risk."
- 24.76 The Land Management Service, which accounts for 35 percent of the Branch's operating costs, is a program area that has been involved in cost recovery since 1939. The 87 community pastures operated by the Branch were introduced in 1937 to remove marginal and unsuitable lands from crop production. Cattle producers (patrons) drop their animals off at the pasture and pick them up at the end of the season. Local associations determine the number of animals allowed for each patron, giving preference to those operators who are just starting out, those whose operations are financially marginal, and those who lack sufficient grazing land of their own. Grazing and breeding costs are recovered from the pasture patrons, while pasture

conservation costs are "paid" by Canadian taxpayers. The largest portion of the costs of operating the pastures is recovered from patrons. During 1996–97, direct operating costs for the pastures were \$14.3 million, of which \$12.7 million was recovered. This was the only significant cost recovery activity by the Branch.

There are other opportunities to recover costs and generate additional revenue

24.77 The Prairie Farm Rehabilitation Administration provides a variety of technical assistance and financial services to producers, municipalities, and the Prairie provincial governments. Many of its programs provide a direct benefit to the program recipients. For example, providing technical assistance or funding for an irrigation system may add value to the land or increase the farmer's future revenues. While one could argue that the private benefit portion of this assistance should be recovered, what the farmer pays is a small portion of the overall cost.

24.78 Prairie Farm Rehabilitation Administration officials told us that at a time when other parts of the Department and the government were consulting with the agriculture sector on cost recovery, they had identified over \$ 0.7 million per year in possible cost recovery. There was a general understanding among service recipients that a portion of these costs should be recovered. The Prairie Farm Rehabilitation Administration applied to respend the costs it would recover, but this authority was not provided. In our view, this is not a sufficient reason to suspend cost recovery as a whole. It is also recognized that there will be administrative costs associated with recovering these costs. However, no analysis of the projected costs and returns has been done.

24.79 In areas it identifies for potential cost recovery, the Branch needs to determine what is a private benefit rather than a public benefit, and what portion of

the private benefit should be recovered. To do this, it needs a sound basis of measurement for defining the costs and benefits: the Branch needs reliable data on which to base its costing decisions. Its current financial and program systems are not able to provide an appropriate basis for determining costs.

24.80 Cost recovery is more acceptable to users when "clients" of the services are involved in defining the cost components and determining the proportion of private benefit derived. Although the Prairie Farm Rehabilitation Administration consults with stakeholders about the implications of cost increases and service reductions, it needs first to determine the level of private benefit derived.

The Branch also has opportunities to generate additional revenues, such as the sale of surplus produce from the Saskatchewan Irrigation Development Centre. As part of its work at the Shelterbelt Centre, it conducts research into finding and developing species for the particular climatic conditions experienced in the Prairies. Advances in selective breeding have resulted in superior products. To date, the proprietary rights associated with these newly developed products have not been exercised, nor have the potential costs and returns of implementing these procedures been analyzed.

24.82 As it continues to enhance its partnership with the agricultural sector, the Prairie Farm Rehabilitation Administration should identify the most cost-effective way to deliver its services and determine the optimum mix of cost recovery, cost sharing, and revenue generation.

Department's response: The Department appreciates the Auditor General's recognition that progress has been made in PFRA's cost recovery efforts (particularly regarding the Community Pasture Program) and the recognition that PFRA consults with stakeholders on the

The Branch needs to determine what is a private benefit rather than a public benefit, and what portion of the private benefit should be recovered.

Agriculture and Agri–Food Canada – Prairie Farm Rehabilitation Administration

implications of cost increases and service reductions.

PFRA accepts that there may be further revenue opportunities that could be pursued in consultation with industry. However, it should be noted that it is not obvious that it would be cost-effective to pursue all of those currently identified. PFRA will examine the feasibility of pursuing various opportunities and will continue to make progress on identifying the most cost-effective ways to deliver its services.

Performance Measurement

Absence of procedures to measure results of addressing soil and water problems

24.83 Generally accepted management practices stress the importance of measuring results. In particular, there is a need to measure the initial state and to measure again at regular intervals, in order to track the extent to which the desired change has occurred. The Treasury Board Secretariat has identified performance measurement and reporting as a central requirement of departmental Business Plans.

24.84 Developing indicators that are meaningful to end-users is not an easy task, as it is critical to develop either a reference value or, where that is not possible, a desired direction for change. As part of the new Department-wide Expenditure Management System, corporate departmental management has initiated the development of a planning, reporting and accountability structure intended to form the basis for seeking spending authority and for measuring performance. As part of this effort, the Prairie Farm Rehabilitation Administration is developing performance measurement systems to standardize what it measures and reports.

24.85 In most areas, Branch management has not yet developed the

indicators or measurement procedures needed to determine the precise nature and magnitude of the soil and water problems in the Prairies, or to permit it to track the results of its interventions. We reviewed program evaluations conducted for the Prairie Farm Rehabilitation Administration by three different consulting firms. The evaluations consistently identified the absence of qualitative and quantifiable objectives; the absence of a performance measurement strategy to collect baseline information and report on the impacts of project funding; and lack of economic analysis to support the selection of projects or categories of projects.

24.86 Our interviews with district managers and regional directors confirmed that the Branch lacks performance indicators. It does not have a basis for determining how well a program has been delivered, nor can it measure the program's impact on the Prairie landscape. Decision makers continue to operate these programs with no continuing source of objective information about how well the Branch has delivered its mandate, except through comments from program recipients — a useful, but limited, form of performance measurement.

For example, one key problem the Prairie Farm Rehabilitation Administration is seeking to address is soil erosion. The 1997-98 Estimates Part III notes that Prairie Farm Rehabilitation Administration continues to protect over 3.5 million hectares of marginal and/or crop lands for the continued sustainability and productivity of the resource. Statistics like these need to be refined into an indicator by relating them to some measure — for example, comparison with the total number of hectares that require erosion control. This kind of interpretative framework is necessary if data are to become useful information for policy-making, planning and accountability purposes.

The Branch does not have a basis for determining how well a program has been delivered.

24.88 The Prairie Farm
Rehabilitation Administration should
ensure that the performance
measurement framework it is
developing identifies performance
objectives, indicators and results for
activities ranging from the project level
to the Prairie-wide context. Its progress
in achieving desired results should be
reported to Parliament in the
Department's performance reports.

Department's response: As noted, the Department is currently developing a comprehensive Performance Reporting and Accountability Structure. PFRA, as a Branch of the Department, is participating fully in this process. The PRAS was submitted to Treasury Board in the fall of 1997. The PRAS will provide a continuously improving basis for measuring and reporting on performance.

Conclusion

24.89 The Branch's extension of both its locations and its activities has taken place over a number of years while the organization's staff has being shrinking and decentralizing. In summary, the scope

of the Prairie Farm Rehabilitation Administration's role takes in the Peace River District of British Columbia and most of the Prairie landscape, and has environmental, social and economic aspects. While the Branch has adapted to changing demands, its role is a large one for what has become a relatively small, decentralized organization.

24.90 The Prairie Farm Rehabilitation Administration's mandate, objectives and accountability framework are not sufficiently clear and complete to provide a basis for guiding activities; and the information needed to demonstrate results, including the achievement of program objectives, is not readily available.

24.91 We also concluded that this Branch could operate more effectively and efficiently if the needs for programs were better defined so that program activities could respond to the greatest needs. In addition, further steps need to be taken to improve the guiding and directing of activities.

24.92 While the Branch has undertaken steps to reduce costs, opportunities exist to reduce them further and to generate additional revenues.

While the Branch has adapted to changing demands, its role is a large one for what has become a relatively small, decentralized organization.



About the Audit

Scope

The focus of our value-for-money audit was the Prairie Farm Rehabilitation Administration and the departmental lines of businesses for which it is accountable. Also included in the audit was the co-ordination of its programs and activities with those of other organizations in the Department, other federal departments and agencies, the provinces and industry.

The Western Grain Transition Payment Program was covered by our November 1995 Report and therefore was excluded from the scope of our examination. Given the diversity and number of the remaining programs delivered by the Branch, we selected for detailed audit those programs that:

- were operating in 1996–97;
- represent 20 percent of the A-Base budget (3 of 7 programs) plus 20 percent of the funding for sunset programs (3 of 10 sunset programs);
- are offered in all three Prairie provinces; and
- are integral to the business objectives of the Branch's mission statement.

The Department agreed that findings within the scope of this audit would be representative of the Prairie Farm Rehabilitation Administration's ongoing A-Base and sunset programs.

Objectives

Our objective was to assess the management practices related to rural Prairie sustainability and development with a view to determining whether specific areas require significant improvement. In particular, we assessed whether:

- the mandate, objectives and accountability framework are clear and complete for guiding activities, and the information to demonstrate results, including the achievement of program objectives, is readily available and reported to Parliament;
- program activities respond to identified needs, and satisfactory and cost-effective processes are in place to direct activities, guide project selection and guide contractual arrangements; and
- opportunities for cost avoidance, reduction or recovery have been adequately examined.

Criteria

Audit criteria are contained within the text.

Audit Team

Robert Anderson Angus Mickle Gordon Stock

For information, please contact Neil Maxwell, the responsible auditor.

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Report of the Auditor General of Canada to the House of Commons

Chapter 25
Citizenship and Immigration Canada and Immigration and
Refugee Board – The Processing of Refugee Claims

December 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 25

Citizenship and Immigration Canada and Immigration and Refugee Board – The Processing of Refugee Claims

December 1997

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

Chapter 25

Citizenship and Immigration Canada and Immigration and Refugee Board

The Processing of Refugee Claims

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.



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Assistant Auditor General: Richard Flageole Responsible Auditor: Serge Gaudet

Citizenship and Immigration Canada and Immigration and Refugee Board

The Processing of Refugee Claims

Main Points

- **25.1** When it signed the *1951 United Nations Convention Relating to the Status of Refugees* and the *1967 Protocol* thereto, Canada undertook to protect refugees. The processing of refugee claims functions in a context characterized by intense and complex migratory movements. In addition, formal procedures must be followed and legal requirements taken into account in order to guarantee compliance with the provisions of the *Immigration Act* and Regulations and the *Canadian Charter of Rights and Freedoms*.
- 25.2 At the end of 1988, the process had developed a backlog of some 85,000 claims. The system was not up to the task and a radical change was needed. A new structure and a completely revised process for handling claims was put into place in 1989. The expectations were clear: quick, equitable and efficient resolution of claims and the removal of failed claimants.
- 25.3 We note, however, that Citizenship and Immigration Canada and the Immigration and Refugee Board have serious difficulties dealing with claims quickly and efficiently. We are particularly concerned by the size of the backlog, the lengthy processing times and the difficulty of carrying out removals. We have made recommendations aimed at improving results at various stages in the process.
- 25.4 Immigration officers rule on the eligibility of a claim without having obtained the required information. Moreover, the information gathered when the claim is received does not serve adequately at other stages in the process.
- 25.5 The high turnover among members of the Immigration and Refugee Board, and their short terms, have a significant negative impact on achieving targeted results. Moreover, lack of rigour in certain practices slows down the process. The Board has made efforts to improve the process but their success will depend in part on the Board's ability to improve its organizational climate.
- 25.6 Citizenship and Immigration Canada is having difficulties resolving failed refugee claims quickly and efficiently. The review of risk of return contains ambiguities that raise questions about its merit. We also found a lack of rigour in the assessment of humanitarian grounds for allowing failed claimants to remain. Further, the Department is having serious difficulties carrying out removals.
- **25.7** Refugee-related questions are complex. A thorough review of the refugee claim process is required including the division of roles and responsibilities among the various stakeholders as well as the infrastructure of co-ordination and control. However, it is essential that realistic expectations be set for the speed and efficiency of claims processing.



Introduction

The protection of refugees — an important international commitment

25.8 In 1969, Canada signed the 1951 United Nations Convention Relating to the Status of Refugees and the 1967 Protocol thereto. In so doing, it undertook to protect refugees who find themselves outside their country and are unable to return to it for fear of persecution because of race, religion, nationality, membership in a particular social group or political opinion. Under the Convention, Canada thus undertook not to expel or turn back refugees at the border if doing so would threaten their lives or freedom.

25.9 Canadian immigration rules, including those that apply to refugees, are contained in the 1976 *Immigration Act* and its related rules and regulations. The Act reiterates Canada's international commitments with respect to the protection of refugees, repeats the definition of the term "refugee" as set out in the Convention and provides rules for the processing of claims for refugee status.

25.10 The Convention governs primarily the situation of persons who have fled their own country and are claiming refugee status in another country. As part of its humanitarian tradition, Canada also selects refugees abroad. However, our audit dealt only with those claimants seeking protection after arriving in Canada.

Migratory movements are intense and complex

25.11 Internationally, the circumstances and origins of persons seeking asylum are in a constant state of flux. Ever-increasing numbers of people are fleeing ethnic, political and religious conflict. In 1995, the United Nations High Commissioner for Refugees estimated that 14.5 million refugees crossed an international border and received asylum in another country. The examples of this are many and varied:

recent crises in the former Yugoslavia, Somalia, and Rwanda, to name only a few, have resulted in significant movements of people.

25.12 Many other persons are attempting to escape problems such as overpopulation or a fragile economic situation in their home country. Communication and transportation networks have increased their expectations and possibilities. One recent example is that of many Chileans who, in the false hope of improving their lot, came to Canada in 1995.

25.13 In addition, there are professional traffickers and agents whose aim is to have their clients arrive and remain in their chosen country. The increasing complexity of migrations creates challenges for the receiving countries, who must grant protection to the refugees while safeguarding the interests of their own nationals and the integrity of their immigration programs.

25.14 Exhibit 25.1 shows the number of claims filed in various industrialized nations, including Canada, since 1983. During that time, major backlogs have developed in several countries, such as the United Kingdom, the United States and Canada. A number of industrialized countries are concerned with efficiency and effectiveness issues in their processes for handling requests for asylum. Some, including the United States and the Netherlands, have substantially increased staff in the hope of reducing backlogs and abuses of the system. In 1996, close to 26,000 persons claimed refugee status in Canada. Exhibit 25.2 shows the 10 principal countries of origin of these claimants.

The Canadian Charter of Rights and Freedoms has a major impact on the process

25.15 The Supreme Court of Canada decided that the guarantees set out in section 7 of the *Canadian Charter of Rights and Freedoms* (namely, that

In 1996, close to 26,000 persons claimed refugee status in Canada.

The process must ensure that refugee claimants are afforded all the rights provided to them by the *Charter*.

everyone is entitled to life, liberty and security) apply not only to Canadian citizens, permanent residents or other persons legally in Canada but to every person within Canada's borders. Further, the Supreme Court decided that any claim having a minimum credible basis for refugee status must be heard when the basis for it is seriously in doubt.

25.16 Under the *Charter*, additional rights are available to everyone who is present in Canada — the right not to be detained without just cause; the right, upon arrest or detention, to be informed promptly of the reasons; the right to retain and instruct counsel without delay; and the right to challenge detention by "habeas corpus". The refugee status determination process must ensure that refugee claimants are afforded all the rights provided to them by the *Charter*.

Claims processing: a shared responsibility

25.17 The Department of Citizenship and Immigration (the Department) administers the *Immigration Act*; it therefore must manage admissions to Canada in a way that safeguards the

interests of Canadians while fulfilling Canada's international commitments. Claimants' cases are processed mainly at the Department's Canadian offices — at border points, inland immigration offices and processing centres. Deciding whether or not a claimant is really a refugee under the Convention is the responsibility of the Immigration and Refugee Board (the Board).

25.18 A quasi-judicial process. The Immigration Act stipulates that claims are to be heard by the Convention Refugee Determination Division of the Immigration and Refugee Board. This Division is an administrative tribunal with inquiry powers. The claimant can request leave of the Federal Court for a judicial review of the Division's ruling. Formal procedures must therefore be followed that take into account the legal requirements of the refugee status determination process in order to guarantee compliance with the provisions of the Immigration Act and Regulations and the Charter.

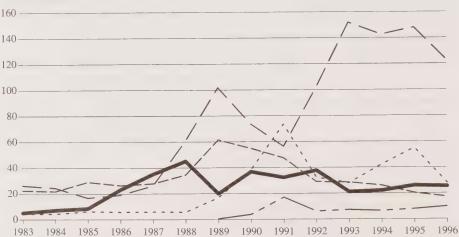
25.19 Exhibit 25.3 provides a summary of the principal steps in the refugee claims process. When a claim is received, a senior immigration officer of the Department

Exhibit 25.1

Claims Made in Canada and in Various Industrialized Countries



Claims (thousands)



Source : Secretariat of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia (IGC)

determines whether the claimant is eligible under the *Immigration Act* for access to the refugee determination system. If so, the claim is referred to the Board, which considers the claim at a hearing and determines whether the claimant is a Convention refugee. If granted refugee status, claimants may apply for permanent residence. If their claims are denied, they may avoid removal if the Department considers that, under the Post-Determination Refugee Claimants in Canada Class (see paragraph 25.117), they would still be at serious risk if they returned to their

home country. Claimants may also apply at any time for permanent residence on humanitarian and compassionate grounds. Failed refugee claimants will ultimately have to leave Canada although those awaiting removal for several years could, until 1997, be eligible for permanent residence. There is no mechanism to appeal the merit of the decisions rendered by the Convention Refugee Determination Division of the Board. However, the various decisions throughout the process may be subject to judicial review by the Federal Court.

Exhibit 25.2

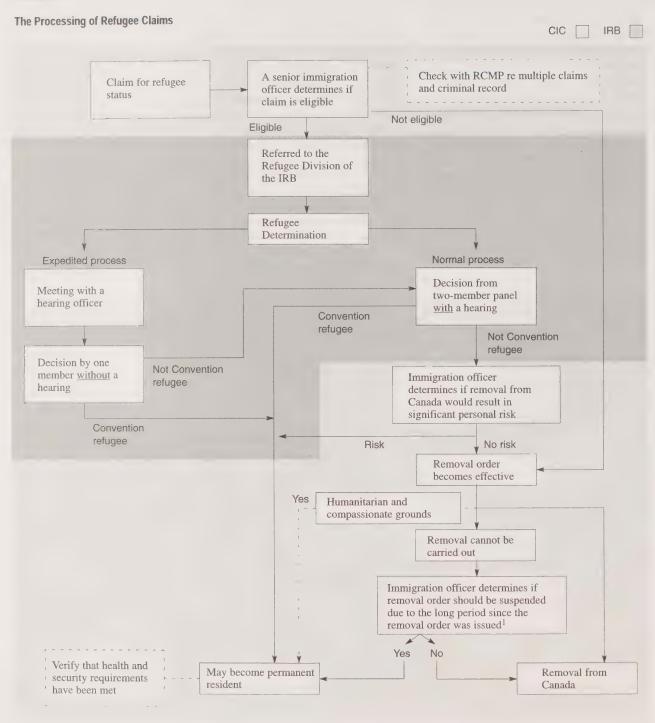
Claims Received in 1996, by Principal Country of Origin



^I Formerly Zaire

Source: Citizenship and Immigration Canada

Exhibit 25.3



¹ Remedy effective 4 November 1994 and abolished 1 May 1997

Source: Office of the Auditor General of Canada

CIC - Citizenship and Immigration Canada

IRB - Immigration and Refugee Board

- 25.20 Although the Department and the Board are the principal players in the decision-making process, other stakeholders are involved, such as the RCMP, the Canadian Security Intelligence Service (CSIS) and the Department of Justice.
- 25.21 Current practice dictates that from the time claimants arrive in Canada, and for as long as they remain and their claim is making its way through the process, they qualify for many of the benefits granted to landed immigrants, such as social assistance, legal aid, education and health care. The provinces, in administering these benefits, thus have some influence on refugee-related issues.
- 25.22 The complexity of the process that claims must follow, given the number of parties involved, means that the total processing costs cannot be measured easily. In fact, the Department was unable to provide us with a reasonable estimate of the overall cost of the process. However, the fragmentary data available indicate that the cost to the federal government is at least \$100 million a year. In addition, data from Ontario and Quebec — the provinces receiving the majority of claimants --show that it costs each of them approximately \$100 million a year just for social assistance to claimants.

The claims processing system has undergone major changes since 1989

- 25.23 At the end of 1988, the Canadian refugee status determination process had developed a backlog of some 85,000 claims. Because of the slow pace of the process, a refugee status claim was tantamount to a permit to stay in the country for at least three years and even to settle here permanently. All claimants then had access to a complex process of review and appeal.
- **25.24** Employment and Immigration Canada, the department responsible for the program at the time, believed that the process was not up to the task and that it

did not include any mechanisms for quickly and decisively settling claims that clearly lacked merit. A radical change to the system was needed.

- **25.25** On 1 January 1989, Bill C–55 amending the Immigration Act came into effect, putting into place a new structure and a completely revised process for handling claims made after that date. The process would henceforth fall under the joint responsibility of Employment and Immigration Canada (the Department of Citizenship and Immigration was not established until 1994) and a new body the Immigration and Refugee Board, which was given the power to rule on the merit of claims. A program implemented at the Department to clear up the backlog allowed for separate handling of the some 85,000 cases accumulated under the previous system.
- 25.26 The legislative changes were designed to streamline the processing of claims, provide protection for individuals who were genuinely threatened in their country of origin, and discourage those not requiring the protection of Canada or whose claims were unfounded. The expectations were clear quick, equitable and efficient resolution of claims and the removal of failed claimants.
- 25.27 Shortly after the new process was implemented, the concerns it had been designed to resolve resurfaced. Our 1990 audit of the system noted that after just 15 months, the process was already seriously behind schedule. In fact, at 31 March 1990, there was a backlog of 23,500 claims or 71 percent of all claims received. It took an average of nine months to process a claim. We also noted that 95 percent of claimants whose claims had been denied were still in the country. Further, we expressed concern about some of the operating mechanisms used by the Board and the Department.
- 25.28 Subsequently, two major bills (C–86 in 1993 and C–44 in 1995) and a number of regulatory changes gave rise to a series of measures designed to improve the situation. Specific aspects of these

The expectations were clear — quick, equitable and efficient resolution of claims.

We are concerned by the size of the backlog, the lengthy processing times and the difficulty of carrying out removals.

A person claiming refugee status can count on staying in Canada for more than two and a half years.

Weaknesses pervade the entire process — a lack of co-ordination, integration, strategic direction and overall follow-up. changes are discussed in the related sections of this chapter.

Focus of the audit

25.29 Our audit focussed primarily on determining whether the management mechanisms used by the Department and the Board allow for a quick and equitable resolution of refugee status claims and foster public confidence in the fairness and integrity of the process. Additional information on the objective and scope of the audit can be found at the end of this chapter in the section entitled About the Audit.

Observations and Recommendations

The Federal Government Has Serious Problems Handling Refugee Claims Quickly and Efficiently

Results have been disappointing and the concerns remain

25.30 We note that the existing system has serious difficulty dealing with claims quickly and efficiently. Exhibit 25.4 provides statistical data on volumes, processing times and decisions in the past four years. Exhibit 25.5 shows the status of persons who have made claims between February 1993 and March 1997.

25.31 We are especially concerned by the size of the backlog, the lengthy processing times at the Board and at the Department, and the limitations on control and enforcement activities — primarily the difficulty of carrying out removals. These concerns are essentially the same as were meant to be addressed almost 10 years ago with the introduction of the current system.

25.32 The size of the backlog is particularly disturbing. Exhibit 25.6 shows that numbers of claims awaiting processing at the Board have almost doubled since

June 1994, even though the number of claims referred has remained fairly constant. At 31 March 1997, the Board's inventory of cases not yet finalized had risen to close to 29,000. In addition, there were approximately 8,500 cases at the Department awaiting its review of the risk to the claimants should they be removed from Canada.

25.33 With respect to processing times, we noted that in 1996–97, the average interval between the filing of a claim and the Board's decision was 13 months. Although data on processing times at each stage in the process are not available at the Department, we estimate that the interval between the Board's decision and the Department's reassessment based on the risk of return was almost 7 months, with another 10 months before the removal. Judicial review by the Federal Court accounts for part of these delays. A person claiming refugee status can therefore count on staying in Canada for more than two and a half years.

25.34 The issue of removals also warrants particular attention. Of the approximately 31,200 claimants who were denied refugee status between 1993 and 1997 or were not otherwise accepted in Canada, 22 percent have confirmed their departure from Canada. We estimate that those who have not left have been in Canada for two and a half years, on average.

25.35 Several factors contribute to the problems of the current system. We noted problems of efficiency and operational effectiveness and a lack of rigour at various stages in the process, which have had a serious impact on the system's ability to meet expectations. However, we also noted weaknesses that pervade the entire process — a lack of co-ordination, integration, strategic direction and overall follow-up.

25.36 Departmental officials at ports of entry, immigration centres and various processing units all examine a claimant's case at some point. In the midst of this process, the Board assesses the merit of the

claim. Further, some cases require the involvement of the Federal Court, the Department of Justice, the RCMP or CSIS. While all this is taking place, no one in the federal government monitors the overall progress of claims.

25.37 During the course of our audit, we had to consult many stakeholders and

decision makers to be able to identify priorities and strategies in refugee-related issues. These consultations gave us a picture of specific activities in the process but not of the way they are linked. Nor did we perceive any collective effort to make the decision-making process quicker and more efficient. The lack of global

Exhibit 25.4

Statistical Data

Statistics on volumes

5	1993–94	1994–95	1995–96	1996-97
Claims received by CIC	19,456	23,118	26,917	23,999
Claims finalized at the IRB	31 886	21 700	17 811	23,253
Backlogs at the IRB ¹	17,528	19,523	28,588	28,893
Risk-of-return review backlogs (CIC) 1	n/a	16,814	10,214	8,527
Number of removals confirmed to CIC ²	4,611	2,698	1,547	2,465

Statistics on processing times

	1993–94	1994–95	1995–96	1996–97
Average processing time at the IRB (months)	7.0	8.7	10.6	12.8
Age of pending cases at the IRB				
0–1 year	14,311	16,120	21,893	18,783
1–2 years	2,655	2,635	5,572	8,547
2 years and up	562	768	1,123	1,563
Average processing time (months) between the IRB decision and the risk-of-return review decision at CIC $^{\rm 2}$	14	11	10	7

Statistics on decisions

	1993–94	1994–95	1995–96	1996–97	
% of claims deemed eligible by CIC ²	99.5	99.3	99.5	99.4	
% of favourable IRB decisions	48	62	54	41	
% of withdrawals and abandonments at the IRB	20	18	23	29	
% of positive risk-of-return review (CIC)	1.6		6	4	

At the end of the period

Source: Immigration and Refugee Board and Citizenship and Immigration Canada

² Calendar years: 1993 to 1996

knowledge and management of refugee-related issues limits the possibility of processing claims quickly and efficiently.

No one in the federal government monitors the overall progress of claims.

Given this situation, we had to 25.38 delve into various information systems in the Department's and the Board's head offices and regional directorates and offices for the data we needed to piece together an overall picture of refugee-related activities, to measure processing times and pending cases and to attempt to quantify total costs. The Department's information systems could not compile the information needed to account for the resources used in processing refugee claims. We also noted that the availability and quality of information on claims gradually begin to deteriorate once failed claimants begin the long and complex series of activities related to additional reviews and to removals. We found that the Department's information systems contained a significant number of unresolved cases.

Receiving Claims

Determining eligibility: an essential control but ineffective

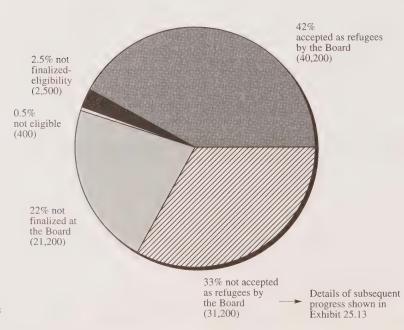
25.39 Determining the eligibility of a refugee claim is very important, since it controls access to the refugee determination system and access to Canada.

25,40 The Immigration Act sets out the circumstances that make a refugee claim ineligible, meaning that it cannot be referred to the Convention Refugee Determination Division of the Immigration and Refugee Board for a hearing. The aim of the Act is to quickly exclude from the process those persons who do not deserve or need Canada's protection. These include dangerous criminals, persons who have already been granted refugee status in another country, terrorists and war criminals, and those who have been denied refugee status in Canada within the previous 90 days. It is noteworthy that

Exhibit 25.5

Claimants' Status

Status of the 95,500 persons who made claims between February 1993 and March 1997



Source : Primarily from the Field Operations Support System (FOSS) of CIC

determination of eligibility is not designed to assess the merit of a refugee claim.

25.41 Of the nearly 26,000 refugee claims made in Canada in 1996, 60 percent were made at border points and the remainder at immigration offices inland. It should be noted that the Ontario and Quebec regions received 88 percent of all claims. Exhibit 25.7 provides a breakdown of claims received; we note that claims from the 10 major offices and border points in Canada account for 89 percent of all claims.

When an individual claims 25.42 refugee status, senior immigration officers question the individual, often with the aid of an interpreter, and ask him or her to complete a personal identification document; they then examine all available relevant documentation, such as passports, identification or travel documents. The officers also take fingerprints and a photograph of the claimant. The fingerprints are forwarded by mail to the Royal Canadian Mounted Police (RCMP) to check whether there is another claim on file with the same fingerprints and whether the claimant has a criminal record in Canada. In the vast majority of cases over 99 percent since 1993 — the claim is

judged eligible. The immigration officers then complete the administrative procedures, provide the person with the necessary documentation for filing a claim with the Board, and allow the person to enter Canada.

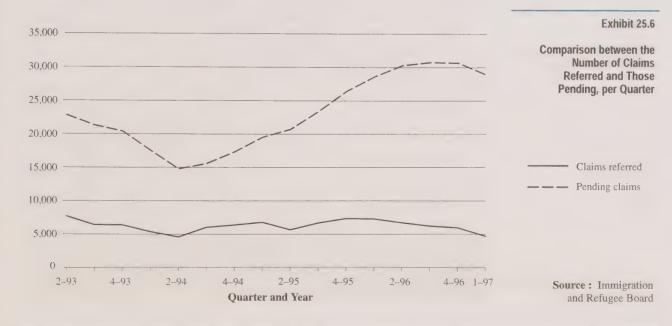
25.43 We noted that in most cases, immigration officers rule on the eligibility of a claim without first obtaining the information required to make an informed decision. In fact, the evaluation of eligibility criteria is based essentially on the claimant's statement. Immigration officers render their decisions well before receiving the results of the RCMP checks for duplicate claims and a criminal record in Canada.

25.44 In order to determine the eligibility of a claim, the claimant's background in Canada and abroad need to be known. This requires at the outset a minimum of information on the claimant. Our audit revealed that over the past several years, close to 60 percent of claimants have presented themselves to Canadian officials without a passport, personal identification or travel documents.

25.45 It is understandable that someone fleeing persecution may arrive destitute, lacking even personal documents.

Immigration officers rule on eligibility without obtaining the information required.

Over the past several years, close to 60 percent of claimants have presented themselves to Canadian officials without a passport, personal identification or travel documents.



However, it is reasonable to expect that they would have travel documents, because the *Immigration Act* requires airlines to ensure that their passengers are properly documented. We believe the Department needs to make additional efforts to determine claimants' origins.

25.46 In our view, then, the Department does not examine claims with sufficient rigour to establish whether eligibility criteria are met. This allows people access to the refugee determination process and to Canada without it being known whether their claims warrant an in-depth review.

25.47 Citizenship and Immigration Canada should review the mechanisms used in the application of the eligibility criteria set out in the *Immigration Act*.

Department's response: The eligibility criteria are intended to prevent exceptional cases from proceeding to the full process of refugee determination. In all cases, where there is information that a claimant does not meet the eligibility criteria, the person is found to be ineligible and the claim is not referred to the Immigration and Refugee Board. Once fingerprint results are received, the legislation allows for the eligibility decision to be revised where necessary.

Recently, the Department has increased efforts to determine the routing and identity of passengers arriving without documents by increasing the frequency of document inspections at the point of disembarkation from aircraft.

More complete, more relevant information needs to be gathered during the initial contact with the claimant

25.48 Good quality of information on a claimant's identity and on the particular circumstances of the claim — such as the country of origin, the reasons for the claim, and the last point of embarkation — is essential to informed decision-making at all steps in processing the claim. One would therefore expect sufficient co-ordination and integration among the steps in the process to provide for optimum sharing of the necessary information.

25.49 In June 1995, the Department and the Board agreed that the information collected by immigration officers upon receipt of a claim would systematically be sent to the Board. This information is useful because it can help Board members later to verify the claimant's identity and credibility. Implementing this agreement yielded good results until the Department began changing its practices at ports of

Exhibit 25.7

Main Locations in Canada Where Claims Were Made in 1996

Montreal (Quebec)	Inland office	4,310
Mirabel (Quebec)	Airport	3,681
Toronto – Pearson (Ontario)	Airport	3,367
Lacolle – Blackpool (Quebec)	Border point	2,845
Etobicoke (Ontario)	Inland office	2,736
Fort Erie (Ontario)	Border point	2,036
Vancouver Metro (B.C.)	Inland office	1,206
Vancouver (B.C.)	Airport	1,060
Dorval (Quebec)	Airport	783
Niagara Falls – Rainbow (Ontario)	Border point	753
Total (1) to the state of the s		22,777
Canada		25,697
Percentage		89%

Source : Field Operations Support System (FOSS) of CIC

entry in the fall of 1996. Under these changes, claimants at some ports of entry are virtually never questioned about the circumstances of their claims and are asked only to fill out the information forms. The information thus gathered when the claim is received is not as useful as it could be.

25.50 Despite serious objections raised about the relevance and the probitive value of the information thus gathered, Board members and refugee claim officers clearly indicated to us that the notes taken at ports of entry enhance the quality of the Board's decision. In a situation where 60 percent of the claimants have no identification papers or travel documents, the Board member must be able to rely on the maximum information possible to help verify the claimant's identity and credibility.

25.51 Citizenship and Immigration Canada and the Immigration and Refugee Board should co-operate to establish a common strategy for ensuring that all information relevant to the processing of refugee status claims is collected in a timely fashion.

Department's response: Agree. The Immigration and Refugee Board and the Department have agreed to analyze the needs of the tribunal for information from the ports of entry and review the practices at ports of entry.

Board's response: Agreed. The Board views as essential the gathering of information relevant to the processing of refugee status claims and confirms its commitment to increased co-ordination with the Department to this end. The recent Administrative Framework Agreement concluded between the Board and the Department has already laid the groundwork for significant progress in this field. Co-ordination efforts are continuing in order to achieve greater efficiency in the process and improved quality in the decisions rendered.

Provision to process claims in the first country of asylum has never been applied

25.52 The majority of persons claiming refugee status at ports of entry in Canada arrive from a country other than the one where they may be subject to persecution. In the first five months of 1997, for instance, more than half the claims at ports of entry were made by individuals arriving from the United States.

25.53 When the process was completely restructured in 1989, Parliament included a particularly important provision designed to safeguard our system against an influx of claimants who did not require Canada's protection. Under the "safe third country" provision, the Department and the Board could deny access to the refugee status determination process by claimants arriving from countries known to respect human rights. The claimant had the right to appeal the decision, but would have to wait outside Canada. At the time, the Department projected that approximately 40 percent of claimants would be sent to a "safe third country" after an initial quick hearing. That provision has never been applied.

25.54 Changes made to the Immigration Act in 1993 allow Canada to also enter into agreements with certain countries who are signatories to the Convention to share responsibility for examining refugee claims. In principle, such agreements would mean that claimants would request the protection of the first country in which they found asylum, rather than simply entering that country on their way to their preferred country. The Department indicated that such agreements would foster better compliance with the rules governing the refugee determination process by discouraging "asylum shoppers".

25.55 In February 1995, Canada and the United States entered into negotiations to decide who would take responsibility for persons entering one country and claiming

Changes made to the Immigration Act allow Canada to enter into agreements with certain countries to share responsibility for examining refugee claims.

refugee status in the other. However, the agreement has not yet been finalized.

25.56 Citizenship and Immigration Canada should intensify its efforts to ensure an increased level of international co-operation with respect to responsibility for the review of refugee claims.

Department's response: Agree. The conclusion of broad framework agreements on responsibility sharing for refugee claims remains an important element of Canadian asylum policy. This is particularly important for Canada in a regional context given the significant numbers of claimants who arrive via the United States. This policy objective is reflected in the Border Accord between Canada and the United States announced in February 1995. Discussions with the United States continue in pursuit of active co-operation on this issue.

The Board's average processing time went from seven months in 1993–94 to nearly 13 months in 1996–97.

Determination of Refugee Status at the Board

The Immigration and Refugee Board is an organization that has been given a difficult mission, requiring that it make sensitive decisions within a complex operating environment. The Board's mission is, on behalf of Canadians, "to make decisions on immigration and refugee matters reasonably, efficiently, fairly, and in accordance with the law". The mandate of the Convention Refugee Determination Division is primarily to determine whether a claimant meets the definition of refugee under the Convention. Against this background, the need for protection takes on a narrow meaning specifically, the one set out in the Convention.

25.58 Refugee status is determined through a hearing into the claimant's circumstances to determine whether there is a serious likelihood that he will be persecuted if he returns to his home country. The role of a Board member

differs procedurally from that of a judge in a court. The Board is a specialized tribunal invested with inquiry powers and using a non-adversarial procedure. The primary objective of such a procedure is to elicit all the relevant information needed to arrive at an informed decision. The hearing is generally held before a panel of two Board members, a refugee claim officer who is a Board employee, and the claimant, normally represented by counsel. Where necessary, the Board provides the services of an interpreter. The granting of refugee status requires the approval of one of the two Board members.

25.59 The heavy workload generates pressure to improve performance. At the same time, the non-adversarial hearing takes place in a context where the very nature of the claim poses major challenges of availability and quality of information on the circumstances of the claim. While in theory the burden of proof is on the claimant, Canada has decided to give claimants the benefit of the doubt, thereby following the recommendation of the United Nations High Commissioner for Refugees.

25.60 Over the past three years the Board has not been able to achieve its objectives for processing times. The average processing time went from seven months in 1993–94 to nearly 13 months in 1996–97. The same period also saw a sharp increase in the backlog of claims waiting to be processed, from approximately 17,500 at 31 March 1994 to nearly 29,000 at 31 March 1997. At that date, more than 10,000 claims had been awaiting processing for over a year. However, we have observed a slight decrease in the backlogs since January 1997.

Efforts to improve the selection process for Board members need to be continued

25.61 Board members must make
complex decisions that could have a major
impact on the life, liberty or security of the
claimant and on the integrity of the system
an impact that makes their role akin to

that of a court judge. There must never be any doubt about their competence or their independence. It is therefore essential that the selection of Board members be based on merit and that the selection process be transparent.

25.62 The Immigration Act stipulates that members of the Convention Refugee Determination Division of the Board be appointed by the Governor in Council. After a number of concerns were expressed about the lack of qualitative criteria and transparent mechanisms governing the appointment of Board members and the renewal of their terms, in March 1995 the Minister of Citizenship and Immigration announced the establishment of an advisory committee to assist in the selection of Board members. The objective of this committee is to strengthen the independence of the Board and the transparency of the selection process while raising the level of Board members' qualifications.

- 25.63 The selection criteria are defined by the Minister, and calls for candidates are made through an announcement in the Canada Gazette. Exhibit 25.8 sets out the requirements for the position, as described in the two calls made since 1993.
- 25.64 The advisory committee was given a mandate to assess candidates for the position of Board member and to submit a list of qualified candidates to the Minister. It is expected that, based on that list, the Minister would then select candidates to recommend to the Governor in Council.
- **25.65** In our view, the establishment of this committee is a step in the right direction, allowing for the selection of qualified candidates. However, we noted weaknesses in the candidate selection

It is essential that the selection of Board members be based on merit and that the selection process be transparent.

Exhibit 25.8

Job Requirements for Members of the Board

Canada Gazette 18 September 1993

- knowledge of social sciences and/or community-based experience in immigration or refugee affairs
- ability to conduct a quasi-judicial hearing
- ability to carry a heavy workload and perform in a sometimes stressful environment
- · excellent analytical and writing skills
- strong communication and interpersonal skills

The following are considered an asset:

- an understanding of cross-cultural issues and of the global situation of refugees
- member of the bar of any province or territory or notaries with the Chambre des notaires du Québec who has at least five years of experience

Canada Gazette 23 August 1997

- university degree or equivalent professional qualification
- a minimum of five years of professional experience following graduation
- ability to demonstrate decisiveness and sound judgment in an environment of high case volume and tight time constraints
- strong listening and analytical skills
- effective spoken and written communication skills

The following are considered an asset:

- knowledge of the Canadian immigration program
- cross-cultural and social program experience
- experience in executive decision making in a corporate, government or legal environment
- computer literacy and initiative to excel in their field of expertise
- bilingualism (French and English)
- knowledge of a third language

Source: Canada Gazette

A minimum of 12 months is needed for a Board member to become completely functional.

process that make it difficult to ensure that the most highly qualified candidates for the position of Board member are identified.

- 25.66 First, we feel there is a need to improve the recruitment methods in order to attract the most highly qualified candidates. Most of the applications examined by the advisory committee between 1995 and 1997 resulted from an advertisement published in September 1993. Candidates were therefore assessed, in many cases, on the basis of information that was more than two years old. In our view, calls for applicants need to be made more regularly, using various vehicles.
- 25.67 We noted that the screening tools developed by the committee are not entirely appropriate for evaluating the applicants according to the established criteria. We were told that the advisory committee has already begun to review its evaluation tools.
- 25.68 Further, there are no mechanisms in place to ensure consistency in the interpretation and application of criteria. Because of their heavy workload, the members of the committee decided to divide up the task of assessing the applications. Each member individually evaluated a certain number of applications and orally informed the entire committee which candidates he or she would suggest putting forward to the Minister. The evaluations of the candidates were not recorded and no documentation in support of them was provided to the other committee members. We do not think this type of evaluation provides for the same rigour and validity as an evaluation of candidates by the full committee.
- 25.69 The advisory committee is also responsible for recommending to the Minister which Board members' terms should be renewed. We noted that it had little information at its disposal to carry out this task. In effect, the committee's decision is based primarily on the overall results of performance appraisals. Our

review of the performance appraisals of 68 Board members whose terms expired between January 1996 and May 1997 showed that they had all been evaluated as "meets expectations", whether or not their terms were subsequently renewed.

25.70 The government should ensure that the selection process for Board members provides greater certainty that appointments or reappointments to the Immigration and Refugee Board are based on the qualifications needed to respond to the complexity and the importance of the task.

High turnover among members and short terms have a significant negative impact on productivity

- 25.71 The refugee status determination process requires a special expertise that can be acquired only through experience or, to a lesser degree, through training. Most Board members agree that a minimum of 12 months is needed to become completely functional. Given this and the importance of the decisions they are required to make, we expected to find an organization staffed at all times with a large percentage of experienced decision makers.
- 25.72 Since its establishment in 1989, the Board has undergone periods of high instability. Approximately 420 persons have been appointed by order-in-council to the Convention Refugee Determination Division and 40 percent of them were given only one term, generally for a period of approximately two years. The average rate of reappointment between 1990 and 1993 was 79 percent. This figure fell to 25 percent between 1994 and 1996. Exhibit 25.9 shows the fluctuations in the rates of reappointment.
- 25.73 More than 170 members have left the Board since 1994, leaving it with a large number of inexperienced members. Such a high turnover rate is bound to affect the quality of decisions.
- **25.74** Although many factors can affect a Board member's productivity, we feel

that the high rate of turnover has had a particularly negative impact. As shown in Exhibit 25.10, the average number of cases finalized quarterly per Board member fell dramatically in 1994, when 126 terms expired and only 24 were renewed. The Board estimates that a Board member's rate of productivity in the first year is approximately 50 percent.

25.75 Besides affecting productivity, a high turnover rate represents additional expenses for training and relocation. The Board estimates that appointing someone new costs, on average, \$91,700 more than renewing the term of an experienced Board member.

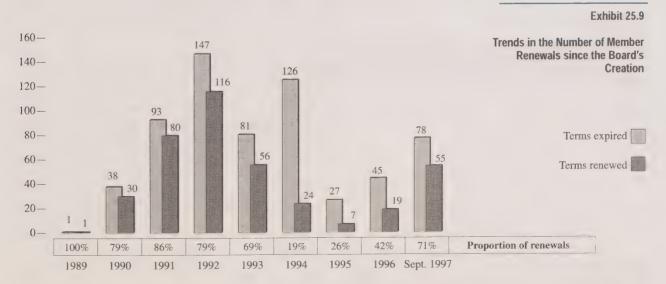
25.76 In our view, the length of the term needs to be related first and foremost to the requirements of the position. Provision is made in the *Immigration Act* for terms of up to seven years. Since 1994, however, most new Board members have been appointed for periods of two to three years (see Exhibit 25.11).

25.77 Members' terms are renewable; in fact, 12 percent of members currently at the Board are completing their fourth or fifth term. Contrary to our expectation, we noted that the average length of a renewed

term has been shorter than the initial term. In the 50 reappointments made between 1994 and 1996, the average term length was 2.3 years. This has increased to 3.1 years in 1997. The length of a term impacts on the Board member's productivity: the vast majority of members consulted told us that the uncertainty characterizing the period before the renewal of their terms had had major negative implications for not only their morale but also their productivity.

A short term can produce other negative consequences. First, the names of individuals appointed to short terms must be submitted more frequently to the government for consideration of reappointment. This could threaten their independence or appear to do so. Also, the short length of terms could limit the government's ability to attract qualified candidates. Finally, many of the Board members consulted said that fully satisfactory or even above-average performance is no guarantee of reappointment. In such circumstances, it is very difficult to develop a sense of belonging or a climate of confidence in an organization, and to project a competent and independent image likely to foster public confidence.

Since 1994, most new Board members have been appointed for periods of two to three years.



Source: Based on data of the Privy Council Office and the Immigration and Refugee Board

25.79 It is important that the Board have the number of decision makers it needs to handle its workload and that its resources be allocated among regions on the basis of

Having available the decision makers as

needed is important

the specific needs in each.

25.80 We noted that the delays in filling positions have contributed to the problems encountered by the Board over the past several years. In April 1996, when the Board had 156 members, it agreed with the Minister's office that 182 members (including deputy chairperson, assistant deputy chairpersons and co-ordinators) were needed to meet the demand. At 1 September 1997, there were 154 members. We estimate that some 2,000 hearings could not be held during this period because of the delay in appointing members. Overall, the number of working members since 1994 has decreased, while the number of cases referred to the Board rose between 1994 and 1995 and has remained relatively stable since then.

25.81 We also found a number of anomalies in the distribution of members among the various regions in Canada. As shown in Exhibit 25.12, the proportion of members assigned to the Montreal and

Toronto regions in the past three years does not correspond to the proportion of cases referred to the Board in these same regions. In the third quarter of 1995, there was a sharp increase in the number of cases referred in the Montreal region, lasting until the third quarter of 1996. The region could not handle this workload despite measures taken to improve its productivity. Although a request was made to have 22 additional members appointed to the Montreal office (10 full-time and 12 part-time), only 8 were finally appointed, 5 of whom were part-time.

25.82 The government has planned since March 1995 to amend the *Immigration Act* to allow most hearings to be held by one Board member instead of two. Claim-processing projections for 1996–97 were in fact made on the assumption that this change would be made before January 1997. Given that it was not, productivity was below projections and delays continued to increase.

25.83 Overall, the turnover rate among members, the length of their terms and the delays in appointments clearly affect the Board's ability to manage its workload and to attain its operational objectives; this translates into increased backlogs and processing delays.

Exhibit 25.10

two.

Average Number of Claims Finalized per Board Member, per Quarter

The government has

planned since March

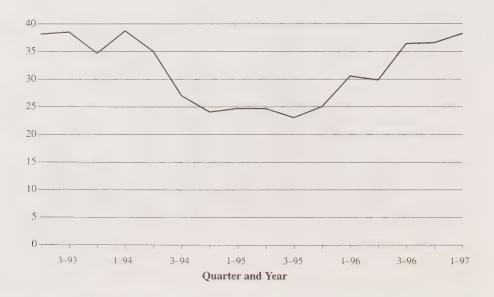
1995 to amend the

Immigration Act to

allow hearings to be

held by one Board

member instead of



Source: Based on data of the Privy Council Office and the Immigration and Refugee Board

25.84 The government should improve its practices for appointing Board members, in order to ensure that the Immigration and Refugee Board has a sufficient number of experienced decision makers available when they are needed.

The Board places great importance on maintaining and developing the skills of its members

25.85 In order to facilitate informed decision making, the Board needs to develop and maintain the skills of its members. As we have noted, terms are short, the turnover rate is high, and new members require at least 12 months to learn their job. In light of these factors, the mechanisms for developing and maintaining the skills of Board members need to be particularly effective in order to accelerate the acquisition of knowledge and to quickly identify the areas of performance that warrant special attention.

25.86 We noted that the Board places great importance on the training of its members and provides a complete training program. This program includes training for new members, ongoing professional development and information workshops. Most members indicated that they were satisfied with the training offered to them.

25.87 Performance management is also very important because it allows Board members to be monitored and to improve their performance without having the quality of their decisions questioned. In March 1995, a new performance appraisal system for members was implemented. We noted that performance appraisals are completed in the vast majority of cases. However, certain changes need to be made to this system in order to define and communicate performance expectations and objectives, and to make evaluation criteria more specific. In fact, the Board is currently reviewing its performance appraisal process.

The information available does not always foster informed and equitable decisions

25.88 Informed decision making depends on the quality of the information available. Members must be very familiar with conditions in the claimant's country of origin, as well as the specific circumstances justifying the claim. Further, members must consider the case law in order to ensure fair decision making.

Understanding the prevailing conditions in a country is vital to assessing a claim. The Board's Documentation, Information and Research Branch makes available to Board members a variety of reports and publications on conditions in the countries of origin of claimants, as well as on issues related to human rights in those countries. The sources used in preparing these documents include organizations for the defence of human rights. However, the different sources do not always agree on what conditions actually prevail in the countries. Board members are then required to judge those opinions in the light of their experience and the specific circumstances surrounding the claim. The establishment of teams that

Exhibit 25.11

Length of Board Members' Terms

	Appointments	Reappoint	ments
Length ()	1994 to 1997	1994 to 1996	1997
0-1 year	5	5	4
1–2 years	38	34	13
2–3 years	89	3	15
3–4 years	1	6	14
4–5 years	1	2	9
5–6 years	1	0	0
Total	135	50	55
Average	2.7	2.3	3.1

Source: Based on data of the Privy Council Office and the Immigration and Refugee Board

The quality of information is an essential element of informed decision making.

specialize in certain geographical areas makes it easier for Board members and refugee claim officers to master the massive amounts of information they must absorb to process claims effectively and fairly. Most Board members and officers feel that this step contributes greatly to the quality of their decisions.

25.90 The quality of information on the identity and particular circumstances of claimants is one more essential element of informed decision making. As mentioned in paragraph 25.49, the Department gathers little information on the circumstances surrounding claims, and a large number of claimants do not have the required identification documents. In these

circumstances, it is very difficult for Board members to assess a claimant's identity and credibility. However, the Board recently implemented measures to address the problem of claimants who are not properly documented. For example, in March 1997 it published a document entitled *Commentary on Undocumented and Improperly Documented Claimants*, the purpose of which is to simplify the task of Board members as they examine issues of evidence and procedure that arise in these types of claims.

25.91 The Board also developed measures to allow for specific research on claimants. A new policy was established to clarify the type of research that may be

Exhibit 25.12

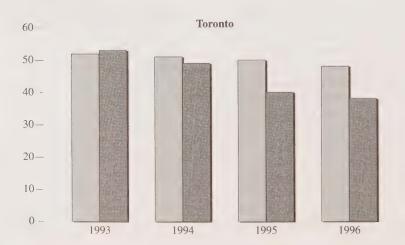
Percentage of Claims Referred and Board Members Working in Regions of Montreal and Toronto







Source: Based on data of the Privy Council Office and the Immigration and Refugee Board



done and the measures to take to avoid jeopardizing the lives of claimants or their families. Board members and refugee claim officers also feel that these steps have improved the quality of decisions. Because of the delays such research can entail, however, it cannot be used as often as is desirable.

25.92 The Immigration Act allows the Department to intervene at Board hearings. This intervention can be important in certain situations because the Act allows the Department's representative to submit evidence, question claimants or witnesses and offer observations. We noted that the Department rarely intervenes in hearings — in less than 2 percent of the cases finalized in 1996.

25.93 The Immigration Act gives the Board's Chairperson the authority to issue guidelines. Decision makers are not bound by these guidelines, but they constitute a recommended approach to reviewing difficult issues. For example, there are the Guidelines Concerning Women Refugee Claimants Fearing Gender-Related Persecution. Legal Services also provides Board members with an array of information and tools to assist in their decisions. There is, for example, all the case law that stems from Federal Court rulings, as well as a monthly publication of a sample of Board decisions. However, the members indicated that they would appreciate being better informed of the reasons behind the favourable decisions as well as the unfavourable decisions of their colleagues; the Immigration Act requires only that unfavourable decisions be justified.

25.94 Despite all these efforts, there are major discrepancies among certain Board offices in acceptance rates for claimants from the same country. For example, in 1996 the acceptance rate for claimants from a certain country was 4 percent in one regional office and 49 percent and 82 percent in two others. For another country the acceptance rate at these same offices

was 39 percent, 70 percent and 85 percent respectively.

25.95 The Board examined the discrepancies in the acceptance rates and concluded that a major contributing factor was that decision makers did not always use the same sources of information and interpreted the available information differently.

25.96 The Board issued a policy in March 1996 asking members to document their favourable decisions where the claimants' countries of origin accounted for significant differences in acceptance rates. To date, there has been very little follow-up on this policy; nor have members received feedback on the information thus gathered. In our opinion, a better knowledge of the case law related to the favourable decisions would contribute to more equitable decision making. The members agree that they should document their favourable decisions, but they are somewhat reluctant to do so given the deadlines imposed on them.

25.97 The Board is in the process of implementing a national strategy designed to ensure greater consistency in decision making. Given the recentness of these measures, it is too early to expect significant corrections in the discrepancies. In fact, we noted that after the first quarter of 1997 there were still serious discrepancies in the acceptance rates, even extending to additional countries.

25.98 The Immigration and Refugee Board and Citizenship and Immigration Canada should ensure that Board members are supplied with the information needed to make well-reasoned and fair decisions.

Board's response: Agreed. In the case of a few countries, there are significant discrepancies between offices in the way claims from one and the same country are handled. Each decision is rendered individually, however, by independent decision makers, based on the evidence

There are major discrepancies among certain Board offices in acceptance rates for claimants from the same country.

A better knowledge of the case law related to the favourable decisions would contribute to more equitable decision making.

Postponements and adjournments are a major cause of Board

delays.

submitted and the specific facts of the case. The members in each office have therefore been grouped into teams specializing in a geographic area to enable them to increase their expertise through greater sharing of knowledge and experience, both locally and nationally.

Numerous initiatives have been taken. The Board is currently reviewing its information-gathering system to ensure that information is more effectively managed, more focussed on the facts of each case and more consistent overall from one office to another. The Board also has a national training program that helps to shape a consensus among decision makers, notably in the form of pan-regional information sessions on conditions in certain countries (China, Israel, Somalia, India, Sri Lanka and the Czech Republic).

Department's response: In November 1995, a Memorandum of Understanding was signed by the two organizations for sharing information on refugee claimants and on country conditions from missions abroad. Under the terms of the MOU, client/claim-specific inquiries became possible for the first time. In 1996, missions abroad provided client-specific information for over 600 cases and country of origin information on over 75 cases.

The Board's practices need improvement

25.99 In the past several years, the Board has undertaken a series of changes designed to emphasize the non-adversarial nature of the refugee determination process, improve the quality of decisions and increase productivity. However, these changes have not been adopted consistently throughout the Board. It is currently attempting to establish an organizational structure that will support the many changes made to the refugee determination system.

25.100 During our audit we noted a lack of rigour in a number of practices that has resulted in delays throughout the system,

frustration among employees and opportunities for abuse of the system.

25.101 In the past, the Board used an expedited process to quickly handle, without a hearing, the claims that had a very good chance of being accepted. This process is being used less and less. For example, 43 percent of favourable decisions in 1993-94 were reached through this procedure, compared with 30 percent in 1996-97. We also noted that the practices used in the expedited process varied from one region to another. Most Board members and refugee claim officers told us that the results of the expedited process are not as reliable as those obtained through the normal process. In our view, the expedited process as it is currently designed no longer meets requirements, but we feel that such a mechanism is sufficiently important to efficiency to warrant an evaluation of its use.

25.102 To the extent that the Board has difficulty handling its workload, we expected that the priorities in processing would be set out clearly and would take risks into account. We noted that there are no clear directives governing the order of priority for processing cases, except the policy that claimants who are detained are to be heard first. Each region sets its own processing priorities based on its own strategy for clearing backlogs.

25.103 We noted that additional efforts are needed to encourage the various stakeholders in the refugee determination process to comply with the Board's rules and procedures. For example, several Board members and refugee claim officers consider that lawyers rarely disclose their information in a timely manner. Further, we noted that in 1996, 57 percent of the personal information forms received at the Board were late. Timely receipt of these forms is important because they initiate the determination process, and any lateness results in further delays.

25.104 Finally, Board members and refugee claim officers clearly indicated to us that postponements and adjournments

caused by internal administration, claimants and their representatives are a major cause of Board delays. We noted that 49 percent of scheduled hearings in 1996 had to be either postponed or adjourned.

25.105 In the fall of 1996, the Board began to implement a wide range of measures designed to improve performance monitoring. For example, new mechanisms were put in place to ensure better follow-up on delays caused by writing reasons for decisions. Responsibility for achieving targeted results now lies jointly with the regional directors and the assistant deputy chairpersons in the Convention Refugee Determination Division. In April 1997, each region was asked to present its commitments and its projections for the two upcoming quarters.

25.106 Since the changes to the performance monitoring mechanisms were made only recently, we are unable to comment on their effectiveness.

25.107 The Immigration and Refugee Board should:

- be more rigorous and consistent in its practices in the refugee determination process; and
- establish an overall strategy and monitoring mechanisms to ensure that it meets its operational objectives.

Board's response: Agreed. The Board has already taken steps to clarify its practices and operational standards in relation to the refugee status determination process. Nevertheless, each office has a responsibility to adapt its practices to the local environment insofar as is necessary to increase its productivity and efficiency.

The Board has commissioned various independent studies to improve its operational practices and monitoring mechanisms. Studies have been carried out on its information-gathering system and on its internal accountability structure. Reviews are currently under way concerning the management of its

information system and, specifically, concerning its caseload tracking system. The Board will implement many of the conclusions and recommendations stemming from these reviews in the near future.

Organizational climate at the Board could jeopardize the success of initiatives to improve the refugee determination process

25.108 The Board is a relatively new organization that operates in a difficult environment. Refugee status is a sensitive subject that generates a great deal of public and parliamentary interest. Over the years, the Board has had to deal with a high turnover rate among its members and senior managers. Finally, the Board's operations must integrate two parallel hierarchies: public servants and Board members.

25.109 Throughout our audit, we met people who are willing to contribute fully to carrying out the Board's mandate. However, we were struck by the lack of a common vision on the part of those who work at the Board. In our view, there are major tensions between Board members and the public servants at the Board, and between staff and management.

25.110 We tried to identify the impact of the changes made by Board management over the past two years. We found that both Board members and refugee claim officers have a good understanding of the changes and are willing to continue their efforts to adapt to them. However, the two groups have very different perceptions of the effects of these changes. While the members' assessments were consistently more positive, the refugee claim officers feel that the changes to the system have not had the anticipated effects. With these important two groups polarized on such fundamental issues, change management is probably going to become very difficult and the play of internal forces will favour the status quo by default.

We identified serious problems in the Board's organizational climate.

Only a minority of members and refugee claim officers feel that the *Immigration Act* can protect Canadian society from abuse.

The Department is having difficulty resolving failed refugee claims quickly and efficiently.

25.111 In our opinion, the Board's effectiveness depends greatly on the ability of members and refugee claim officers to work together. Our audit identified serious problems in the organizational climate. Indeed, most Board members and refugee claim officers describe the current organizational climate as negative or variable. Most members said that the organizational climate has improved or remained stable in the past 12 months. The refugee claim officers, however, were much more critical. In fact, the majority said the situation is deteriorating; one third said it has remained stable.

25.112 It is particularly worrisome to note that only half of the members and a minority of refugee claim officers feel that the current practices instil public confidence in the fairness and integrity of the system for dealing with refugee claims. Similarly, only a minority feel that the Immigration Act can protect Canadian society from abuse of the system. They cited several reasons to justify this rather troubling position. Among the factors most frequently cited were the non-adversarial nature of the refugee determination system, the lack of close co-ordination among the various stakeholders, the generousness of the legislative provisions concerning refugees, and the absence of sanctions against abuses. It should be noted, however, that members and refugee claim officers feel that the Board's current practices allow Canada to comply with its international commitments.

25.113 The Immigration and Refugee Board should take urgent action to improve its organizational climate and develop a common vision among its employees.

Board's response: Agreed. The Board has launched an organizational renewal program that has enabled it to identify its values and adopt an organizational mission. Finally, senior management has developed and disseminated an organizational vision for the future.

Furthermore, the Board encourages teamwork and constant dialogue among all levels of the organization, not only to improve the climate of work but also to promote best practices and innovation. Thus, the Board recognizes the need to continue these efforts.

Handling Failed Refugee Claims

A slow, complex and ineffective process

25.114 Under the *Immigration Act*, refugee claimants are generally subject to a removal order from the time their claim is made, conditional on the decision of the Board. Failed claimants would normally be required to leave Canada soon after this decision. However, after the Board's decision, these claimants are entitled to other supplementary review mechanisms. They will generally be entitled to a reassessment of their need for protection a reassessment based on the risk of return. They can also apply for permanent residence on humanitarian and compassionate grounds. Although they can use this mechanism at any time, it appears that they generally do so when they are ordered to leave Canada.

25.115 We reviewed the handling of failed refugee claims. Exhibit 25.13 shows the status of some 31,200 persons who claimed refugee status between February 1993 and March 1997 and whose claims were denied by the Board or were abandoned. Overall, our review found that the Department is having difficulty resolving these cases quickly and efficiently. The files go through a slow, complex process, and many cases remain unresolved.

25.116 As discussed in the following paragraphs, the review of risk of return currently contains ambiguities that raise questions about its merit. In its present form, this step is akin to a reassessment of the Board's decision. Further, it entails a duplication of effort that affects the efficiency of the entire claim process. We also found a lack of rigour in the

assessment of humanitarian grounds cited by failed refugee claimants. Finally, the Department is having serious difficulties carrying out removals.

Questions about the efficiency and the results of the risk-of-return review

25.117 Under the Minister's discretionary power to create classes of persons to single out for special treatment, a class of persons called the Post-Determination Refugee Claimants in Canada Class was created by regulation in 1993. It was designed to protect claimants who fail to meet the Convention's definition of refugee but who nonetheless would face personal risk of harm if forced to leave Canada. Establishment of this class formalized a practice that the Department had used since 1989. According to the stated criteria, the risk must be compelling — consisting of a threat to life, extreme sanctions or inhumane treatment — and it must be personal — that is, directed at the individual rather than based on a generalized situation of risk in the country. The objective in this case is different from

the Department's when it assesses the general conditions in a country to determine if carrying out removals to that country would be justified.

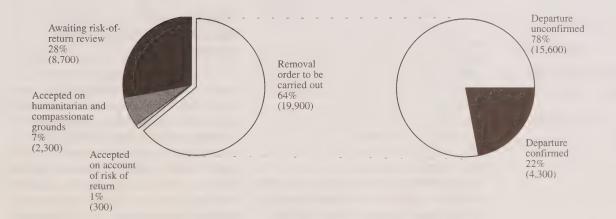
25.118 Since May 1997, claimants wishing this review have had to request it. Previously, with a few exceptions, all refugee claimants whose claims were denied by the Board automatically had their risk of return reviewed. The review is carried out at the Department by post-claim determination officers who work in units independent of enforcement operations. From February 1993 until March 1997, the Department had approximately 37,500 cases to assess, aside from close to 4,000 additional cases that became entitled to reassessment after the 1994 announcement retroactively broadening the interpretation of the criteria.

25.119 The criteria used by the Department in the risk review are very similar to those used by the Board in determining refugee status. Although the criteria used by the Board are based on the risk of persecution, as described in paragraph 25.8, the risk-of-return review

Exhibit 25.13

Status of Failed Claimants

Status of 31,200 claimants who made claims since 1993 and whose claims were denied by the IRB or were abandoned



Source: Primarily from CIC Field Operations Support System (FOSS) of CIC

criteria are based on risk of death, extreme sanctions and inhumane treatment. In our view, the distinction between these concepts is a very fine one.

25.120 Given this similarity and the stated objective, we would have expected the mechanisms used in the Department's risk review to clearly identify the types of danger it was aimed at avoiding and to complement the assessment carried out by the Board. However, this is not the case.

25.121 In assessing the risk of return, the Department's officers use information that is similar, and even identical, to that used by the Board — the personal information form completed by the claimant for the Board and the reasons for the Board's decision — along with any comments the claimant may have submitted to the post-claim determination officers. Further, the Department's guidelines are based on those developed by the Board.

25.122 The officers' decisions are also based on conditions in the country of return. From documentation centres they gather information on country conditions that is similar to the information produced and used by the Board. Officers in some departmental offices are specialized by geographical region, just as in the Board.

25.123 Given the similarities between the criteria applied to this class of claimant and the Convention definition, and given the methodology used, we question the objective being pursued and are concerned about the possibility that, in practice, the Board's decisions may be overturned by departmental officers. We have in fact noted certain cases where the considerations evaluated by departmental officers had already been evaluated by the Board under its mandate. We also noted that the officers cited factors to support the existence of risk to the claimant that had already been evaluated by the Board, or that would be if changes of circumstances were to be invoked in a subsequent claim.

25.124 Efforts have been made to improve the transparency and consistency of practices and to increase productivity. At 31 December 1994, there were approximately 16,500 cases pending compared with 8,500 at 31 March 1997. With respect to processing times, we estimate that in 1993 approximately 14 months would elapse between a Board decision and the risk review, including time at the Federal Court. In 1996, this figure was down to 7 months.

25.125 Citizenship and Immigration Canada should ensure that the risk-of-return review is:

- within the scope of the objectives set for the Post-Determination Refugee Class in Canada; and
- carried out in an efficient and timely manner.

Department's response: Agree. These risk considerations are necessary to ensure compliance with obligations not covered by the Geneva Convention; for example, Canada's obligations as a signatory to the Convention Against Torture.

The aim of regulatory amendments to the Post-Determination Refugee Claimants Class in Canada, introduced on May 1, was to ensure that the procedures themselves do not act as impediments to the expeditious removal of persons found not to be at risk upon return.

More rigour needed in evaluating humanitarian and compassionate grounds

25.126 Under the *Immigration Act* anyone, including a refugee claimant, may at any time and as often as desired file an application for permanent residence in Canada based on humanitarian and compassionate grounds. To be accepted on those grounds, claimants must convince the Department that they would suffer extreme hardship if they had to apply for permanent residence from outside Canada. This is a decision made by immigration officers in Canada.

We are concerned that the Board's decisions may be overturned by departmental officers.

25.127 Since granting permanent residence on humanitarian and compassionate grounds constitutes an exception to the general immigration rules, we expected that this avenue would be used with prudence and care. We expected also that the delegation of this power to immigration officers would be accompanied by an appropriate degree of monitoring. In fact, we found a lack of rigour in the use of this mechanism.

25.128 In our view, the use of the discretionary power in connection with applications for permanent residence on humanitarian and compassionate grounds lacks sufficient monitoring to ensure consistent decision making. Although there are several officers authorized to make such decisions, their supervision and training are very limited. Decisions are not systematically documented and are not subject to review unless they are contested. These types of monitoring deficiencies have also been pointed out by internal studies.

25.129 Further, the Department has insufficient information at its disposal to oversee the use of this provision effectively. It has no overall statistics, such as the number of failed refugee claimants who made such applications or the number of repeat applications. The information on claims and officers' decisions is limited and scattered, so that the Department has no easy way of knowing the circumstances that led officers to grant or deny permanent residence on humanitarian and compassionate grounds. Despite the lack of departmental statistics on the number of such claimants, from our analyses we were able to determine that of the 31,200 individuals who applied for refugee status between 1993 and 1997 and had their claims denied, approximately 2,300 were granted permanent residence on humanitarian and compassionate grounds. Most of these individuals were given favourable decisions because they were married to permanent residents or Canadian citizens.

25.130 Citizenship and Immigration Canada should introduce a greater degree of rigour into the mechanisms surrounding decisions based on humanitarian and compassionate grounds.

Department's response: Agree. The Department has already taken steps to improve humanitarian and compassionate processing. New guidelines, in the form of a new chapter to the Immigration Manual, will be completed in the coming weeks. This will be followed by training of departmental employees who apply these guidelines in Canada. In addition, case identifier codes have been developed on the types of cases being approved on humanitarian and compassionate grounds to provide statistical information and facilitate monitoring. These measures should improve the consistency of humanitarian and compassionate decisions without compromising the discretion legally delegated to the decision maker.

The Department is experiencing a great deal of difficulty carrying out removals

25.131 Citizenship and Immigration Canada is responsible for carrying out the removal of persons who have been denied permanent residence after all of the available review mechanisms have been exhausted. To preserve the integrity of the immigration program, in our view, removal orders need to be carried out quickly.

25.132 As seen in Exhibit 25.13, of approximately 19,900 claimants awaiting removal, just 22 percent had confirmed their departure by the conclusion of our audit. As for the rest, we estimate that those individuals who have not left may have been in Canada, on average, for two and a half years.

25.133 There are a number of factors that make it difficult to carry out removals quickly. Adding to the difficulty is the fact that a great deal of time elapses between the Board's decision and the completion of both the risk-of-return review and the

Granting permanent residence on humanitarian and compassionate grounds is an avenue to be used with prudence and care.

To preserve the integrity of the immigration program, removal orders need to be carried out quickly.

A number of individuals delay leaving or, in fact, elude the Department.

Decisions made during the process have real value only if they are carried out promptly.

assessment of humanitarian and compassionate grounds.

25.134 Another factor is that some countries refuse to issue travel documents to their nationals, and others take a long time to do so — up to four to six months. To address this problem, the Department recognizes that there is a need earlier in the process to initiate arrangements for obtaining travel documents. Extremely severe crises in some countries may also result in a temporary suspension of removals until the situation there stabilizes. Finally, a variety of legal considerations, notably the carrying out of a decision by another tribunal, will affect the timing of the removal.

25.135 Apart from these factors, a number of individuals delay leaving or, in fact, elude the Department. In the Quebec region, for example, it is estimated that in 1996–97, 38 percent of persons considered ready for removal failed to report when required.

25.136 Finally, the extent and complexity of removal orders within the overall immigration program, along with the various degrees of risk associated with the non-removal of certain persons other than failed refugee claimants, are putting pressure on the Department's priorities for removal and investigation. Removals of failed refugee claimants dropped from 4,672 in 1992 to 2,465 in 1996, or from 65 percent to 42 percent of all removals carried out by the Department in that period.

25.137 The creation in 1994 of the Deferred Removal Orders Class is an indication of the impact of the difficulties in carrying out removals. This class was created to regularize the status of certain failed refugee claimants who had been awaiting removal for several years but whom the Department was unable to remove. Among those whom this provision was intended to cover were persons who could not be removed because they lacked

travel documents or because there had been a breakdown of order in the country of origin, and others whose cases had been pending for too long at various stages in the process, including the risk-of-return review. More than 5,000 failed refugee claimants were accepted as members of this class. However, the class was abolished in May 1997.

25.138 We also noted that the Department has insufficient information to manage removals adequately. The available information does not allow for efficient tracking of the removal status of all failed refugee claimants. The Department does not know exactly how many persons are ready for removal. It compiles the number of removals of failed refugee claimants actually carried out but it does not know what success rate this represents in relation to all removals ordered. The Department recognizes that its computerized Field Operations Support System does not provide the management information needed to meet the enforcement function requirements. Over the years, the regions have had to develop their own systems to manage their workload. In 1996, the Department introduced a project to develop a new automated system - the Enforcement Case Management System but the project was cancelled in August 1997 due to budgetary constraints.

25.139 The Department has limited room to manoeuvre because of certain external constraints. The lack of co-ordination and management information nevertheless impact on the effectiveness of the removal process. Effectiveness needs to be improved because decisions made during the process have real value only if they are carried out promptly. We made similar observations in our 1990 Report.

25.140 Citizenship and Immigration Canada should ensure that it has the information needed to manage removal-related activities and it should take steps to increase its effectiveness at removals.

Department's response: Agree. We acknowledge that upgraded information systems would improve the capability to manage removal-related activities. The Department is managing several information technology issues and some initiatives that are proceeding will support the removals function. These include centralizing enforcement information through the establishment for the greater Toronto area of a centralized enforcement office supported by an integrated enforcement case management system to help track cases for removal activities.

The Department has also developed a removals strategy comprising complementary measures designed to support the removals function. These include the negotiation of bilateral removal arrangements with other countries (six signed to date); measures to encourage voluntary compliance with removal orders (e.g. use of cash bonds); increased exchange of information on best practices among removal offices; and the pursuit of various diplomatic channels to obtain the co-operation of countries that refuse, or take too long, to issue travel documents to their citizens.

Accountability and Information to Parliament

A need for more complete and relevant information to parliamentarians

25.141 The Department and the Board submit separate Estimates to Parliament, each providing information on its programs, activities, costs, and expected as well as actual results. We reviewed both agencies' documents and noted that, on the whole, they do not provide Parliament with complete and relevant information on the processing of refugee status claims. First, there is no information on interdepartmental performance. Second, the quality and quantity of the information presented on the various claims-processing activities vary greatly.

25.142 The government's Program Review confirmed that the protection of refugees was one of the primary functions of the Citizenship and Immigration Program. One would therefore expect that the Department would account for the government's performance in this regard, based on a set of overall expectations. However, we noted from the Department's Expenditure Plan for 1997–98 that the planning data and performance-related information did not contain any substantial comments on the processing of refugee claims. No information was provided on the performance of activities carried out by other federal agencies such as the RCMP, the Federal Court and CSIS. In addition, the information presented by the Department on refugee claimants was combined with information on other activities or sub-activities and was therefore difficult to extract. However, the Department recognizes that given the changes resulting from the re-engineering of administrative processes that began in 1995, it will have to change its accountability framework. Also, the Department has indicated that it intends to develop performance measurements based more on results than on process.

25.143 The Board was part of a group of 16 entities that participated in the Improved Reporting to Parliament Project, set up by the Treasury Board Secretariat to improve the quality of expenditure management information sent to Parliament and to modernize its preparation. As part of this project, the Board presented its Performance Report in 1996 and, in 1997, its Report on Plans and Priorities. We reviewed the information contained in these documents, particularly the information related to the Refugee Division. We observed that the reports place considerable emphasis on the improvements needed in the areas of service delivery and workload management. A number of indicators are presented, such as the number of decisions made, the average cost per decision and average processing times. The information

There is no information on interdepartmental performance.

The current process does not quickly grant Canada's protection to claimants who genuinely need it.

describing activities and the related outputs had improved but, like a number of other entities within the federal government, the Board needs to place more emphasis on the outcomes of its activities related to refugee status determination. It needs to broaden the scope of its indicators to account more specifically for its achievements in the area of informed and equitable decisions.

25.144 Citizenship and Immigration Canada and the Immigration and Refugee Board should ensure that parliamentarians receive the information needed to hold the government to account for the performance of all activities related to the processing of refugee status claims.

Department's response: Agree.

Board's response: Agree.

Conclusion

A Thorough Review of the System Is Required

25.145 The current refugee claims processing system is the product of a number of modifications made since 1989 to address specific problems. In our view, the current process does not quickly grant Canada's protection to claimants who genuinely need it. Furthermore, it does not discourage from claiming refugee status those who do not require or deserve Canada's protection.

25.146 Although we offer suggestions for improving results at each stage in the process, we caution the government against making patchwork changes. We believe that the problem is complex and that there is a need to conduct a thorough review of the refugee claim process. For example, it may be necessary to review the division of responsibilities among the various stakeholders as well as their respective roles. The infrastructure for co-ordination and control urgently needs to be improved.

25.147 Finally, it is important to realize that there are inherent limits to the improvements that can be made in the performance of the existing system. Both the Department and the Board operate within a framework that reflects the choices made by Canadian society over the years on refugee-related issues. For example, the application of the Charter, the nature of our social programs, the various benefits allowed to claimants, our level of tolerance for people who attempt to abuse the system, the non-adversarial nature of the process, and the various remedies available to failed claimants all significantly influence the performance that can be expected from the system.

25.148 Therefore, in the event that the system is revised, it is essential that realistic expectations for the speed and efficiency of claims processing be set out in keeping with the choices we as a society have made. It is also important that the responsible federal agencies respond to these expectations within well-defined parameters.

25.149 During the course of our audit, the Minister of Citizenship and Immigration established an Immigration Legislative Review Advisory Group tasked with formulating recommendations to guide and update future immigration and refugee legislation. Among other things, the review will include ensuring the integrity and efficiency of the refugee determination process. The Advisory Group has held numerous consultations in 1997 with various immigration and refugee stakeholders. We have been informed that it is expected to submit its report to the Minister by 31 December 1997.

Department's general comments:

The Department appreciates the challenge the Auditor General faced in analyzing refugee claims processing in Canada. Fairness and efficiency are legitimate and important objectives, but sometimes tensions can exist between them that complicate the process of refugee status determination. Since the revision of the

refugee status determination processes in 1989, the Department has introduced measures to improve both the quality and efficiency of the process. The Department recognizes that greater efforts need to be made in the co-ordination of the various processes and in improving information systems to allow for better management and accountability.

As mentioned in the chapter, last November the Minister created a Legislative Review Advisory Group to review the current system and make a series of recommendations to guide and update future immigration and refugee legislation. The Auditor General's comments and

recommendations will be of timely benefit in the deliberations that will follow the release of the report of the Legislative Review Advisory Group.

Refugee-accepting countries are struggling with their refugee determination systems to ensure high-quality, timely decisions in the face of pressures created both by the influx of asylum-seekers and by domestic fiscal realities. While dealing constantly with new challenges, the Department also seeks "best practice" solutions through multilateral and bilateral discussions with like-minded countries and the United Nations High Commission for Refugees.



About the Audit

Scope

The audit covered the processing of refugee claims made in Canada. We examined the following three main steps: determination of eligibility of the claim; determination of refugee status; the settlement of cases of claimants whose claims have been denied by the Immigration and Refugee Board.

Our audit was carried out primarily at Citizenship and Immigration Canada and the Board. We also met with representatives from the Royal Canadian Mounted Police and the Canadian Security Intelligence Service. We gathered audit evidence from discussions with staff, examining claimants' files, consulting management documents and databases, and observing a number of hearings. We also surveyed all Board members and all refugee claim officers. As of 2 September 1997, a total of 173 persons had responded to our questionnaire, for an overall response rate of 62 percent, which gives us a reliability rate of 95 percent and a margin of error of approximately 5 percent. Also, the characteristics of the respondents correspond closely to those of the general population surveyed.

Objective

We sought to determine whether management mechanisms allowed for the efficient and fair resolution of refugee claims and fostered public confidence in the fairness and integrity of the process.

Criteria

We expected to find that:

- the organization of activities and the distribution of resources reflect the inherent risks and promote the efficiency and effectiveness of the overall process;
- activities are integrated and co-ordinated in such a way as to optimize the sharing of the information and skills required for decision making;
- there are procedures to ensure that qualified staff are hired and retained to perform the various duties;
- staff have tools and relevant information for decision making;
- there are processes that make it possible to closely monitor operational performance, compliance with authorities, and the results obtained; and
- the information intended for Parliament is relevant, reliable and understandable.

Audit team

Roch Cholette Martin Dompierre Denis Labelle Alain Soublière Suzanne Therrien Chantal Thibaudeau

For information, please contact Serge Gaudet, the responsible auditor.

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Report of the Auditor General of Canada to the House of Commons

Chapter 26
Canada Labour Relations Board

December 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 26
Canada Labour Relations Board

December 1997

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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Chapter 26

Canada Labour Relations Board

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Canada Labour Relations Board

Assistant Auditor General: David Rattray Responsible Auditor: Alan Gilmore

Main Points

- 26.1 In our May 1995 Report chapter on ethics awareness in the federal government, we proposed that the guiding principle for public office holders be that "public service is a public trust." The object of the government's Conflict of Interest and Post-Employment Code for Public Office Holders is to "enhance public confidence in the integrity of public office holders and the decision-making process in government." We agreed with the general principles of the Code. Of particular relevance to our present audit is the principle that "public office holders have an obligation to perform their official duties and arrange their private affairs in a manner that will bear the closest public scrutiny, an obligation that is not fully discharged by simply acting within the law."
- **26.2** We found that certain financial practices of the Canada Labour Relations Board (CLRB) would not "bear the closest public scrutiny". Recent reviews of the Board have consistently found major organizational and performance problems resulting, in large part, from an ongoing conflict between the Chair and the Vice-Chairs over control of the work of the Board.
- 26.3 This dispute has contributed to the undermining of financial and management controls over case processing and scheduling and over travel expenditures. Proposed legislation that failed to pass in the Senate before Parliament was dissolved in April 1997 would have given the Chair authority for "supervision and direction over the work of the Board."
- 26.4 After their terms as board members have expired, former board members continue to hear ongoing cases with which they have been involved. However, clear time frames for completing hearings and writing decisions are not established. The cost effectiveness of this type of open-ended appointment of former members is questionable. During the period April 1989 to March 1997, about \$1.7 million was spent for former board members to continue to hear cases. This is equivalent to paying about 14 full-time board members for one year. When their terms expired, a total of about \$595,000 was paid to former board members in severance entitlements and for unused vacation leave.
- 26.5 Until they were revised in January 1997, certain of the CLRB's policies on reimbursement of travel expenses for accommodation, food and incidentals were not reasonable or consistent with legislative authority. We also concluded that the Chair's pattern of expenditures on travel and hospitality is not reasonable.
- **26.6** We make recommendations to address management and financial control problems in the Canada Labour Relations Board as well as systemic issues involving Governor in Council appointees. We also identify issues that we believe need to be brought to the attention of Parliament at this time.



Introduction

26.7 Established in 1948, the Canada Labour Relations Board (CLRB) investigates, adjudicates and renders decisions on matters covered by the Canada Labour Code — for example, certification of bargaining agents and unfair labour practices such as failure to bargain in good faith. About 700,000 workers fall under the jurisdiction of the Code; the majority are employed in railways, Crown corporations, airlines, chartered banks, interprovincial trucking, telecommunications, shipping and broadcasting.

The CLRB as a division or branch 26.8 of the federal government is subject to the Financial Administration Act and most Treasury Board regulations and policies. The CLRB consists of a Chair, five Vice-Chairs, and eight board members. All are appointed by the Governor in Council (GIC) for fixed terms. Board members hold office during good behaviour and are removable by the Governor in Council for cause. The Chair is the chief executive officer. The present Chair is appointed at the GIC-10 level for a term not exceeding 10 years, with a salary range of \$128,100 to \$155,800. The present Vice-Chairs are appointed at the GIC-9 level for a term not exceeding 10 years, with a salary range of \$117,000 to \$142,400. Other board members are appointed for five-year terms at the GIC-5 level, with a salary range of \$80,100 to \$94,500. The Board has a staff of about 94 public servants. It is located in Ottawa, but maintains regional offices in Vancouver, Winnipeg, Toronto, Dartmouth and Montréal.

26.9 The CLRB's Part III Estimates indicate that in 1995–96 it received about 839 new files and disposed of about 826 files; 440 files were pending at year end. Hearings are held throughout the country in both official languages. The Board's total expenditures for 1997–98 are estimated at \$8,901,000, including the

salaries of board members and employee benefits. An additional \$2,601,000 in services will be provided to the Board without charge by other government agencies.

Focus of the audit

26.10 In April 1997, the government requested that the Office of the Auditor General review travel expenditures. allowances and benefits reimbursed to the Chairman and board members of the Canada Labour Relations Board, We. agreed to conduct the audit pursuant to the Auditor General Act. Our audit objective was to determine whether the travel and hospitality expenditures of board members were consistent with legislation and policy and whether they were reasonable. We relied on recent major reviews of the Board to identify underlying organizational. performance and financial control problems that needed to be brought to the attention of Parliament at this time. Further details on the audit are in About the Audit at the end of the chapter.

Observations and Recommendations

Major Organizational and Performance Problems

Prior to our audit there had been 26.11 four major reviews of the Canada Labour Relations Board: the November 1993 Organizational Review; the November 1995 Workplace Climate Review; the January 1996 report of the Task Force on Part I of the Canada Labour Code, entitled Seeking a Balance: Review of Part I of the Canada Labour Code; and the December 1996 internal audit of travel and professional services contracting, conducted by Human Resources Development Canada. The Organizational Review and the Workplace Climate Review were initiated by the Chair on the recommendation of senior staff of the

Board. The findings of these reviews are significant and consistent.

Ongoing Conflict between Chair and Vice-Chairs

26.12 The 1993 Organizational Review found that the Chair and the Vice-Chairs did not agree on fundamental issues of control and authority. The Review stated:

There are fundamental issues of authority with respect to implementing change to certain aspects of the case processing cycle such as the assignment of cases to Governor-in-Council personnel, selecting Board panels, and co-ordinating/scheduling panels to travel and hear cases.

The Review concluded that the resolution of these issues of authority "requires further study by others and perhaps amendments to the *Canada Labour Code*."

26.13 The 1995 Workplace Climate Review found an ongoing conflict between the Chair and the Vice-Chairs over control of the Board. The Chairman holds that the Chair is the chief executive officer of the Board, pursuant to the authority provided by the Canada Labour Code and other enabling legislation such as the Financial Administration Act. The Vice-Chairs hold that, under the Code, the Board should operate as a corporation's board of directors, with major decisions taken by vote. Legal opinions have been sought by both sides to support their respective positions.

26.14 The Workplace Climate Review concluded, "The ongoing battle between the Vice-Chairs and the Chairman with regard to the role of the Vice-Chairs and the Chair has had a profoundly negative impact on the working environment. Interviewees provided an overwhelming abundance of information to illustrate their belief that the uncontained, unchecked behaviour of GICs and the Chairman's

office compound the atmosphere of discord."

26.15 Furthermore, the Review reported, "The fallout of this struggle is measured in human terms. Quite apart from the obvious reduction of individual productivity and efficiency, respondents expressed a range of frustration along a continuum stretching from impatience and irritation to deep psychological torment reportedly requiring therapy and medication."

26.16 Control over assigning members to panels to hear cases and over scheduling of cases was one of the major areas of conflict between the Chair and the Vice-Chairs. The Vice-Chairs believed that collectively they had the authority to assign cases to board members and to schedule cases for hearing. The Chair believed this authority was his. One of the consequences of this conflict was that during a six-week period from mid-April to May 1993, and again from September 1995 to December 1995, the Vice-Chairs refused to accept new cases that were being processed under a new policy established by the Chair. However, they continued to work on cases already assigned.

26.17 In 1995 the Chair and the Vice-Chairs brought the conflict between them to the attention of the ministers of Labour and of Justice, and the Privy Council Office. The Privy Council Office recommended a mediation process to resolve the conflict.

26.18 The mediator's October 1995 memorandum to the parties concluded:

In my mind, the stated issues confronting the C.L.R.B. are relatively simple ones which have been exacerbated by a variety of factors which have virtually destroyed co-operation and normal communications. In such a climate, it is not surprising that relatively minor issues become so dominant. In my view, therefore, the Case Management system is merely a symptom of a much

The ongoing conflict between the Chair and Vice-Chairs has had a profoundly negative impact on the working environment.

deeper malaise. Moreover, the polarized legal positions taken by the Chair and the Vice-Chairs are both extreme, and as with most polarized views, the truth lies somewhere in between.

I believe that the problems of the C.L.R.B. are due to poor management practices, inadequate and paper-oriented communications, poor leadership from senior Members of the Board and a general lack of professionalism and accountability, which have created a climate which is at times venomous, harassing, stressful, and which undoubtedly is eroding morale, the quality and efficiency of the Board's work, and the Board's internal and external credibility and integrity.

26.19 The 1996 report of the Task Force on Part I of the *Canada Labour Code* commented on the consequences of this conflict. It noted:

Deeper problems at the Board surfaced publicly during our review. Articles appeared in the national newspapers. Vice-Chairs and some members refused to accept assignments under a new scheduling system introduced by the Chair, in an action some refer to as a strike. Court applications and complaints to the Canadian Judicial Council were threatened, launched and discussed publicly.

26.20 About \$203,000 of public funds was spent on legal fees for the Chair and Vice-Chairs before the conflict over assigning and scheduling cases was brought to an end. The mediator's fees totalled \$14,000.

26.21 While the disagreement between the Chair and the Vice-Chairs over the case assignment and scheduling process has been resolved as a result of mediation, the underlying disagreement over their respective responsibilities remains. The 1996 Task Force report concluded:

Some of the problems with the present Board involve subtle but fundamentally different views of what the Board should be and how it should be run. These problems are rooted in the legislated structure of the Board, which fails to provide appropriate checks and balances. Two flaws are central. First, there is no clear delineation of executive powers within the Board. Second, the appointment process fails to ensure that Board appointees have the necessary skills, community respect and experience.

26.22 In 1995 this Office reviewed the activities of the CLRB to determine if a full value-for-money audit was warranted. We brought the need to resolve the long-standing dispute to the attention of the Chair and the Department of Labour, and noted that legislation might be required to resolve it. We also recommended that the Board restate its mission and values and establish a code of conduct, and that internal audits of key operations be conducted. In particular, travel expenditures required immediate audit attention.

Decisions were not being made in a timely manner.

Inadequate Performance Level

26.23 The 1996 Task Force review of the CLRB's performance concluded that decisions were not being made in a timely manner. It noted, "Various audits, internal and external, conducted over the last few years, have created an awareness within the Board of just how long cases are taking and why. Despite this, little of substance has been achieved to reduce these figures in any appreciable way." Exhibit 26.1 presents information on the performance of the Board.

26.24 The Task Force reported that the average time taken in 1994–95 to process a case without a hearing was 168 days, and with a hearing it was 389 days. We asked the CLRB for additional information on performance. The information indicates that progress has been made on reducing the average time taken to process a case

without a hearing. In 1995–96 and 1996–97 the average processing time to hear a case without a hearing was reduced to about 127 days. However, the average time taken to process a case with a hearing has increased from 389 days in 1994–95 to 399 days in 1995–96 and to 451 days in 1996–97.

26.25 The Task Force reported that the CLRB's 17 full-time and former members sat in public hearings for a "total of only 277 days" during the 1994–95 fiscal year. It also reported that "leaving aside those newly appointed or retiring Vice-Chairs, sitting days run from 33 to 65 days a year per Vice-Chair or Chair, an average of 48 days per year or four sitting days per month per person." The Task Force concluded that while it recognized that "the Board does much of its work without in-person hearings ... this is a surprisingly low amount of sitting time. It reinforces the many concerns raised about timeliness."

26.26 The Task Force did not find that the need for board members to travel explained the low amount of sitting time.

Travel is one factor to be considered. However, as [the 1994–95 data show], about three quarters of the Board's cases are heard in Quebec and Ontario within reasonable proximity of the National Capital Region. A large proportion of these cases are held in

Ottawa, or in Montréal or Toronto, each within a one hour airflight from Ottawa.

On average, in 1995–96 and 1996–97 about two thirds of the Board's cases were heard in Quebec and Ontario.

26.27 The Task Force concluded, "The current level of performance is unacceptable to the community it serves and falls well short of what is possible with the resources at the Board's disposal." The Task Force recommended a number of major organizational changes to address this issue. We requested additional information from the CLRB on public and in camera sitting days.

26.28 As indicated, during fiscal 1994–95, board members sat in public hearings a total of 277 days. The time spent in public hearings by board members has not increased. In fiscal 1995–96 the Board's 18 full-time and former members sat in public hearings a total of 217 days; in fiscal 1996–97 the Board's 14 full-time and former members sat in public hearings for a total of 240 days.

26.29 In fiscal 1995–96, public hearing days ran from 18 to 50 days a year per Vice-Chair or Chair — an average of 34 days per year or an average of 2.8 hearing days per month per person. In fiscal 1996–97 public hearing days ran from 26 to 57 days a year per Vice-Chair or Chair

Exhibit 26.1
Information on Board
Performance

	1994–95	1995–96	1996–97
No. of full-time and former board members	17	18	14
Total public hearing days	277	217	240
Range of sitting days of Chair and Vice-Chairs	33–65	18–50	26–57
Average sitting days of Chair and Vice-Chairs	48	34	42
Sitting days per month per person (Chair and Vice-Chairs)	4	2.8	3.5
Days to process case without public hearings	168	126	128
Days to process case with public hearings	389	399	451

— an average of 42 days per year or an average of 3.5 hearing days per month per person. During the period April 1997 to September 1997 hearing days per Vice-Chair or Chair averaged 3.1 days per month per person.

26.30 The majority of cases are heard by the CLRB without a public hearing. These in camera hearings involve cases such as union certifications and revocations. Several meetings can be held in a single day. Meetings may last five minutes or several hours. The Board could provide us with information only on total meetings. It could not provide us with information on meetings per day. Therefore, we could not estimate the total number of in camera hearing days or the average number per person.

Personal convenience appears to influence the scheduling of cases

26.31 The 1995 Workplace Climate Review reported that certain board members were perceived to be scheduling "their work, particularly out-of-town work, around holidays or weekends 'to suit their own convenience', rather than in an expedient and cost-effective manner for the organization."

26.32 The 1996 Task Force report also found that the current system of case scheduling "includes too much opportunity for the personal convenience of the Chair, Vice-Chairs and members to dictate scheduling matters." The Task Force stated:

We heard far too many concerns expressed, from parties as well as from persons within the Board, about personal interests taking precedence over the needs of the Board and its clients. Travel preferences in terms of time and location, scheduling conflicts with personal commitments, and preference as to which colleagues to travel with, are perceived as playing too large a role in the Board operations. Many of these complaints

are admittedly anecdotal. However, the volume and consistency of these concerns cannot be ignored because they are prejudicing the respect the Board needs to be effective.

26.33 The Vice-Chairs of the CLRB do not agree with the findings of the reviews we have cited. Further, they believe "the Board has been operating well and efficiently" since the Board adopted the recommendations of the mediator in November 1995. However, as we have noted, recent reviews have consistently reported similar major organizational and performance problems in the CLRB.

Policies deviated significantly from those of the government

26.34 A significant consequence of the dispute between the Chair and the Vice-Chairs was that it reduced the Chair's ability to act as deputy head of the Board for the purposes of the *Financial Administration Act*. The internal audit conducted by Human Resources Development Canada noted that the dispute reduced the authority of senior financial officers to resolve financial control issues.

26.35 The internal audit also noted that there was a lack of understanding on the part of Governor in Council appointees of the role of the senior financial officer of the Board. The senior financial officer of a government entity is responsible for:

- devising and implementing a financial management organization and processes in the entity; and
- implementing policies and procedures that protect against violation of financial rules and principles, financial negligence, losses of assets or public money, and fraud.
- **26.36** In 1996, Treasury Board policy was revised to require the senior financial officer to seek the advice of the Deputy Comptroller General "in the event that a senior financial officer is convinced that an action his or her deputy head is proposing will create significant financial risk or will

The authority of the Chair and the senior financial officer to resolve financial control issues has been reduced.

violate either the spirit or the form of the financial requirements of any legislation, regulation, or government policy." If the deputy head does not accept the advice offered by the senior financial officer, the deputy head must discuss the matter with the Comptroller General.

- 26.37 We found that successive senior financial officers of the CLRB have advised the Chair and board members that CLRB practices deviated significantly from government policies. For example, in 1989 the Chair was advised that the CLRB's per diem policy for board members was not consistent with the Treasury Board policies. He was advised that the CLRB's policies also deviated from government practices by:
- providing for "full day and half day per diem allowances regardless of use of commercial accommodation";
- permitting the "accumulation and personal use of frequent flyer points";
- allowing "open-ended use of long distance telephone calling cards";
- giving "blanket approval to use personal vehicles for Ottawa-Montréal-Toronto trips at the higher rate of reimbursement";
- providing "free indoor parking spots for each appointee";
- allowing "flexible leave recording procedures leading to high cash payouts at the end of term for unused vacation leave"; and
- permitting a "flexible approach to taking time off to compensate for overtime work on weekend travel."

The Chair was also advised that "the entire matter should be examined."

26.38 The Chair has tried to improve financial management of the CLRB. For example, in March 1994 he issued a set of standards for financial practices to improve efficiency and reduce costs. He noted that

the CLRB "must now address certain financial practices which do not comply with Treasury Board directives or with the spirit of the Government's philosophy concerning the expenditure of taxpayers' dollars." He also noted, "Treasury Board has made clear to this Board and to other organizations that the status quo will not be tolerated with respect to the current level of expenditures. As Chief Executive Officer, it is my responsibility to ensure that the Government's financial policies are respected."

26.39 We found that most of the Chair's policies and the advice of senior financial officers on significant matters were not implemented, in large part because of the ongoing disagreement about control over the work of the Board and an apparent lack of understanding of the role of the senior financial officer.

26.40 The Privy Council Office and the Treasury Board Secretariat should clearly explain to Governor in Council appointees, particularly those in small entities, the role of the deputy head and the senior financial officers under the *Financial Administration Act* and Treasury Board regulations and policies.

Legislation would have given the Chair clear authority over the Board's work

26.41 As indicated above, the Chair and the Vice-Chairs' disagreement over control of the Board's work has had serious consequences. Recognizing that a legislative solution was required, in November 1996 the government introduced legislation that would have resolved the dispute by clearly granting the Chair authority over the work of the Board. However, the legislation was not passed by the Senate before dissolution of Parliament on 25 April 1997.

26.42 The proposed legislation provided that:

The Chairperson is the chief executive officer of the Board and has

- supervision over and direction of the work of the Board, including:
- (a) the assignment and reassignment of matters that the Board is seized of to panels;
- (b) the composition of panels and the assignment of Vice-Chairpersons to preside over panels;
- (c) the determination of the date, time, and place of hearings;
- (d) the conduct of work of the Board;
- (e) the management of the Board's internal affairs; and
- (f) the duties of the staff of the Board.
- 26.43 The government should take the necessary steps to reintroduce appropriate legislation to clarify responsibility for the work of the Board.

Payment of legal expenses not consistent with authorities

- 26.44 The Task Force noted that, as a result of the disagreement between the Chair and the Vice-Chairs, "court applications and complaints to the Canadian Judicial Council were threatened, launched and discussed publicly." The Chair incurred legal expenses of about \$132,000 for private counsel as a result of a threatened lawsuit by the Vice-Chairs. The Vice-Chairs incurred legal expenses of \$71,000. These legal expenses were in addition to about \$14,000 paid for the mediation process referred to in paragraph 26.20. All the legal expenses were paid by the CLRB.
- 26.45 The Chair approved the payment of his legal expenses under the Treasury Board Policy on Provision of Legal Assistance to Crown Servants. The Treasury Board Secretariat confirmed that this policy does apply to the Canada Labour Relations Board and to the Chair's expenses. However, the policy requires that ministerial approval be obtained for payment of private legal expenses

exceeding \$10,000. The Chair did not obtain the necessary ministerial approval for the payment of his \$132,000 in legal fees. The CLRB did not have information on the hourly rates charged by most of the lawyers hired by the Chair and thus could not verify whether their rates conformed with the Department of Justice guideline of \$200 per hour. The Department of Justice informed us that it would have had no authority to enforce the \$200 hourly rate because it did not appoint the counsel.

- **26.46** The CLRB also paid about \$71,000 for the private legal fees of the Vice-Chairs using the Treasury Board *ex gratia* policy. An *ex gratia* payment is defined as "a payment made to anyone in the public interest for a loss or expenditure incurred for which there is no legal liability on the part of the Crown." The CLRB used the *ex gratia* policy after concluding that the Treasury Board policy on legal assistance did not apply because it does not authorize payments for legal services when a public office holder initiates a lawsuit.
- 26.47 The CLRB informed this Office that it believed the payment of these legal fees could be made under the Treasury Board policy on *ex gratia* payments because it was in the "public interest." A memorandum from the mediator of the dispute, however, indicates that the "Vice-Chairs ask that the CLRB pay their legal fees as a condition of agreement" to a revised case management system and a resolution of the dispute.
- 26.48 In our opinion, the CLRB did not have the authority to make the *ex gratia* payment to the Vice-Chairs for their legal fees. The Treasury Board policy on *ex gratia* payments clearly states that the policy "is not to be used to fill perceived gaps or compensate for the apparent limitations in any act, order, regulation, policy, agreement or other governing instruments..." The policy on legal assistance is intended to address compensation for legal expenses of Crown servants who are sued; it does not cover Crown servants who initiate claims. We do

The Task Force indicated that the appointment of former members should not be used as an end-of-term benefit for members returning to the private sector.

not believe that the CLRB had the authority to disregard this and compensate the Vice-Chairs using the *ex gratia* policy.

26.49 The government should identify and promptly address major internal legal disputes in boards, commissions and councils.

Questionable cost effectiveness of open-ended appointments of former members

26.50 Former board members, on the recommendation of the Chair of the CLRB and the Minister of Labour, may continue to "carry out and complete any duties or responsibilities that the member would otherwise have had, if he had not ceased to be a member." There is no fixed date for termination of services.

26.51 The orders-in-council issued state that former board members will be paid a fixed "salary" for each day worked. From May 1989 to March 1997, the salaries per day ranged from \$375 to \$470 for former board members, \$650 to \$705 for former Vice-Chairs, and \$750 to \$775 for a former Chair. According to the Privy Council Office, the orders-in-council establish an employer-employee relationship.

26.52 Normally, salary payments in such circumstances are made from the salary budgets of agencies and a tax receipt is issued. The CLRB pays the salaries of former board members from its budget for professional and special services. The former members invoice the Board for days worked on a case. Payments to some former board members are made out to firms. Tax receipts are issued only at the request of a former member.

26.53 In our opinion, the CLRB does not have the authority to make salary payments to anyone other than the former board member identified in the order-in-council. Thus, the CLRB would properly make the salary payments with the appropriate income tax deductions directly to the former board member.

During the period April 1989 to 26.54 March 1997, about \$1.7 million was paid to former board members for about 3,100 days of service. About 650 days involved sitting in public hearings. Former board members are paid the same travel per diem as full-time members if travel is required to hear cases. About \$221,000 was paid to former board members for travel expenses during the period April 1989 to March 1997. This amount does not include airfare paid directly by the Board. Former board members also received about \$595,000 in severance entitlements and for unused vacation leave when their terms as board members expired.

26.55 In March 1994, the use of salary per diems was questioned by the Chair. He noted:

The costs associated with per diems are expected to reach almost half a million dollars for 1993-94, enough to pay the salaries of four full-time members. The time has come to institute a managed approach to this budget item. For the first time Treasury Board has inquired as to how this item is managed and what policies exist to avoid abuse. They have also asked why this Board is the primary user over similar agencies in allowing per diems once terms have expired. Unfortunately, no written policies exist which would deal with the valid concerns expressed by Treasury Board.

26.56 The Chair also advised board members that the following practices would be adopted to address those concerns:

Having consulted the Privy Council Office, our organization will be putting into practice the following concepts which should alleviate concerns about the manner in which the per diem budget is managed. A moratorium on the assignment of cases will be imposed three months before the end of a GIC's term, exceptions are to be approved by the Chairman. The

assignment of GICs to any potentially long-term case must have the Chairman's approval, where the GIC is entering the final six months of the appointment term. At the end of the GIC's term, any cases with which the member has not been unequivocally seized may be reassigned by the Chairman, depending upon the needs of the organization....Members who are on per diems must not be asked to write majority decisions for the panel.

26.57 These policies were not implemented and the 1996 report of the Task Force reiterated the concerns. The Task Force stated:

Section 11 of the Code allows board members to continue to sit on cases after the expiry of their appointments. This has led to the practice of assigning some members to numerous hearings just before the end of their terms. In the past, this has been a precaution against delays in the appointment of new members. However, it should not be used as an end-of-term benefit for members returning to the private sector. The numbers of such assignments and their cost suggest that this power has been overused in situations where current appointees remain under-utilized.

26.58 The government should make the continued appointment of former members of entities like the Board subject to specific guidelines that do not allow for their tenure to continue for more than a reasonable period.

Travel by Board Members

Long-standing confusion and concern about travel expenditures

26.59 There has been a lengthy debate as to whether the Treasury Board travel and hospitality policies apply to the Canada Labour Relations Board. In 1996, in response to a recommendation by our

Office, an audit of travel expenditures of the Board was conducted by the internal audit bureau of Human Resources Development Canada. The audit concluded:

All CLRB travel clearly falls under the TB Travel Directive. Accordingly, actual expenses are to be reimbursed up to an amount judged by the employer to be reasonable. Although they have full discretion in some areas, the Chairman and the Vice-Chairs are also subject to the general principles of the Travel Directive, including economy and reasonableness of expenses.

26.60 As a result, in January 1997, the current Chair revised the travel policies relating to board members, noting that the Chair "did not have the proper authority to replace TB Travel Directives with a per diem system which pays more than is allowed in the directives." He terminated the per diem policy and instituted practices that comply with Treasury Board directives.

26.61 In light of the controversy and its implications, we reviewed the applicability of the Treasury Board travel policies to the members of the Board of the CLRB.

The general principles of the Treasury Board Travel Directive are not clearly specified

As indicated, the 1996 internal 26.62 audit concluded that all CLRB travel is subject to Treasury Board policies. The Treasury Board is responsible for establishing the terms and conditions of employment for full-time Governor in Council appointees. The Privy Council Office publishes a booklet that summarizes and communicates these policies to Governor in Council appointees. The Privy Council Office revised its booklet in June 1997. The booklet's summary of the Treasury Board policy on business travel expenditures for full-time Governor in Council appointees is:

The "general principles" of the Treasury Board Travel Directive are scattered throughout the Directive.

It is not acceptable to use the discretion provided for setting policies to create unreasonable entitlements to additional funds.

Deputy Ministers (DM 1-3) and appointees at the GIC 9-11 levels may use business class air travel. They may claim expenses in excess of the per diems, based on receipts subject to the general principles specified in the Travel Directive (i.e., commercial accommodation, telephone calls, meals and incidentals).

It should be noted that Privy 26.63 Council Office booklet states that travel expenses claimed must be based on receipts and are "subject to the general principles specified in the [Treasury Board] Travel Directive." In reviewing the Treasury Board Travel Directive, we found that there is no section summarizing its "general principles"; rather, the principles are scattered throughout the policy and require that inferences be made as to what the standard may be. In addition, the Treasury Board Special Travel Authorities state that Governor in Council appointees have "full discretion" in making travel expenditures subject to the "general principles". The inclusion of the phrase "full discretion" creates additional confusion.

26.64 The Treasury Board Secretariat should clearly specify the "general principles" that guide travel expenditures of senior Governor in Council appointees.

CLRB has the legislative authority to make its own travel policies

26.65 In July 1997, as the result of further inquiries, the Treasury Board Secretariat confirmed that the CLRB has the legislative authority to make its own travel policies for its Governor in Council appointees without the approval of the Treasury Board. The CLRB can also make its own hospitality policies for hospitality expenses incurred when board members are away from their ordinary place of residence.

26.66 The CLRB's legislative authority to make its own travel and hospitality

policies is contained in section 12 of the *Canada Labour Code*, which states:

Each member of the Board and person carrying out duties or responsibilities under section 11 (a) shall be paid a salary to be fixed by the Governor in Council; and (b) is entitled to be paid reasonable travel and other expenses incurred by him while absent from his ordinary place of residence in the course of his duties under this Part.

As discussed below, at times the CLRB has not used relevant authorities in an appropriate manner.

Certain questionable expenditures by board members

26.67 The government's Conflict of Interest and Post-Employment Code for Public Office Holders states, "Public office holders have an obligation to perform their official duties and arrange their private affairs in a manner that will bear the closest public scrutiny, an obligation that is not fully discharged by simply acting within the law."

26.68 The Treasury Board policies on travel and hospitality by deputy ministers and Governor in Council appointees, as well as the travel policies of entities that have the authority to establish their own, reflect the status of the individuals and the level of their responsibilities in government. However, the government clearly expects these individuals to use sound judgment when incurring expenses. It also clearly expects the entities to use sound judgment in establishing travel and hospitality policies that vary from those of the Treasury Board. It is not acceptable to use the discretion provided as a means of creating unreasonable entitlements to additional funds.

26.69 It should be noted that section 12 of the *Canada Labour Code* authorizes the payment of travel and other expenses subject to three conditions: the expenses must be "reasonable," "incurred," and take place while a board member is "absent

from his ordinary place of residence in the course of his duties."

26.70 Exhibit 26.2 presents the CLRB's travel per diem rates for board members from 1978 to March 1997. In January 1978, using the above authority, the Canada Labour Relations Board established its own travel policy for board members, which allowed a \$65 per diem for food and commercial accommodation. No receipts were required. In January 1986 the per diem was increased to \$125. In January 1987 an amendment of the policy deleted the requirement to use commercial accommodation in order to claim full per diem. The policy change allowed board members to claim the full per diem whether they stayed in private accommodation or commercial accommodation.

26.71 The new policy stated:

For example, if the individual chooses to stay at the "Y" instead of in a commercial hotel and thereby minimizes accommodation expenses, that is his or her business and is not to affect the size of the payment of the per diem — and will not be questioned. Likewise, members or vice-chairmen using expensive facilities or incurring other expenses while away on Board business, which end up being more costly than the amount of the per diem, cannot expect reimbursement.

26.72 The current Chair was appointed in May 1989. In March 1994 he reinstated the requirement to use commercial accommodation to be able to claim the full per diem of \$180, and provided for a per diem of \$80 if private accommodation were used or if no accommodation were needed. These claims could be made without receipts being provided. This policy remained the same until January 1997 when the Board adopted the Treasury Board travel policies for public servants.

26.73 Throughout his tenure, the Chair has always claimed actual expenses incurred during business travel. He has relied on the Treasury Board policies on travel and hospitality for deputy ministers and Governor in Council appointees at levels 9 to 11 to make these claims.

26.74 The Treasury Board Secretariat's confirmation that the CLRB can make its own travel and hospitality compensation policies means that the Board can adopt the policies of the Treasury Board or vary them as it decides. However, the CLRB cannot vary the Treasury Board hospitality policy for hospitality expenses incurred when board members are in the area of their ordinary place of residence. Generally, the ordinary place of residence of board members is the National Capital Region.

26.75 We requested information from 52 comparable federal boards, commissions

Exhibit 26.2

Canada Labour Relations Board Per Diem by Time Period

Time Period	Commercial Accommodation	Private Accommodation
Jan 78 – Sept 78	\$65.00	\$32.50
Oct 78 – Oct 79	\$70.00	\$35.00
Nov 79 – Feb 81	\$78.00	\$39.00
Mar 81 – Jan 82	\$90.00	\$45.00
Feb 82 – June 84	\$100.00	\$50.00
July 84 – Dec 85	\$115.00	\$60.00
Jan 86 – Dec 86	\$125.00	\$80.00
Jan 87 – April 88	\$125.00	\$125.00
May 88 – Jan 90	\$150.00	\$150.00
Feb 90 – Jan 91	\$170.00	\$170.00
Feb 91 – Mar 94	\$180.00	\$180.00
Mar 94 – Jan 97	\$180.00	\$80.00
Jan 97 – Mar 97	\$49.50*	\$47.50** \$13.50***

Notes

- * plus hotel expenses
- ** includes meals and incidentals
- *** allowance for private accommodation

Without receipts being provided, the CLRB could not ensure that expenses had been incurred.

The CLRB was informed that its per diem policy was "totally contrary" to that of the government.

and councils on the travel and leave reporting policies for their Governor in Council appointees. Thirty-six entities have legislative authority for travel expenditures that is similar to section 12 of the *Canada Labour Code*. Only 6 of the 36 entities have established travel policies for their Governor in Council appointees that differ from the Treasury Board's travel policies.

Overall, the CLRB travel expense policy for board members was not reasonable

26.76 To assess the reasonableness of the CLRB's travel allowance policy for board members on accommodation, food and incidentals, we compared it with the policies of the Treasury Board and comparable entities. In January 1997 the CLRB, as a result of the internal audit, adopted the Treasury Board rates as a basis for payment of travel expenses.

26.77 In our opinion, the following elements of the CLRB's travel expense policies and practices for board members were not reasonable:

- during the period January 1987 to March 1994, board members were allowed to receive the \$125 to \$180 per diem while staying in private accommodation;
- commercial accommodation expenses were reimbursed without receipts;
- food and incidental expenses of \$80 were payable without receipts;
- payments for food have been made when meals have already been eaten before departure or served on airplanes or trains; and
- air travel points collected as a result of government business were not segregated from those obtained as a result of personal expenditures, and have been used for personal travel.

26.78 We also do not believe that the CLRB's policies were consistent with the provision of section 12 requiring that to be reimbursed, expenses must have been

"incurred". Without receipts being provided, the CLRB could not ensure that expenses had been incurred. We note that in May 1994, Revenue Canada advised the Treasury Board Secretariat that if a fixed per diem travel allowance is "found to be unreasonably high" it may be taxable.

26.79 Until January 1997, the amount of the CLRB's per diem for board members was higher than that of most comparable entities. All of these entities require receipts for commercial accommodation. Members of provincial labour relations boards, with the exception of one board, are paid the same for travel expenses as public servants. Members of most of the similar boards at the national level in the United States, the United Kingdom, New Zealand and Australia are also paid the same for travel expenses as public servants.

Unreasonable past use of per diem by board members

26.80 During the period April 1989 to March 1994, the CLRB's per diem policy allowed board members to claim the full per diem, ranging from \$150 to \$180, whether or not they stayed in commercial accommodation. During this period about \$675,200 was paid in per diems to board members for travel expenses. Exhibit 26.3 compares CLRB policies with those of the Treasury Board and comparable entities on payments for travel expenses when staying in private accommodation.

26.81 During the period April 1989 to March 1994, Governor in Council appointees in entities comparable with the CLRB received a total of \$38.95 to \$66.50 per day for food and incidentals and \$13.50 to \$18.00 defray expenses for private accommodation.

26.82 In September 1990 the senior financial officer of the CLRB wrote to the Chair questioning the reasonableness of the CLRB's per diem policy with respect to private accommodation. Of specific concern was:

...the manner in which the per diem is administered when [Governor in

Council appointees] travel and stay with family and friends. The [Treasury Board] approach would provide a token amount while the CLRB approach provides the full day per diem....It is argued that the per diem in this instance is a form of 'honorarium' to be used by the traveller as seen fit. Whatever the case, the practice is totally contrary to the government's approach and that of the Privy Council. The CLRB would be in a tight corner if its approach were to become public knowledge.

26.83 The December 1996 internal audit conducted by Human Resources
Development Canada also concluded,
"There is considerable evidence that the current per diem rate is not in line with
[ensuring that travel is funded in the] most economical manner."

26.84 Because board members were not required to submit hotel receipts, we could not readily estimate the number of days that they stayed in private accommodation

and received the full \$180 per diem. However, board members obtained a major benefit if they did not stay in commercial accommodation. This benefit may have been taxable.

CLRB policy on payment of per diems for food is not reasonable

26.85 The payments for food were paid to board members without taking into account the time of departure for a hearing or whether meals were served on flights. Deductions from the \$150 to \$180 per diem were not made for meals already taken or served on airplanes or trains. We estimate this practice resulted in about \$127,000 in additional payments based on Treasury Board meal rates for public servants. The six entities that have established their own travel policies deduct payments for meals already taken or served on airplanes or trains. The CLRB's September 1997 travel policy permits board members "to eat and claim for meals notwithstanding that a meal was served during their flight or train travel."

Exhibit 26.3

Comparison of CLRB Allowances When Staying in Private Accommodation with Allowances for Public Servants and Governor in Council Appointees in Comparable Entities

	April 1989 to March 1994	April 1994 to 15 January 1997	January 1997 to March 1997
Canada Labour Relations Board			
Food and Incidentals Private Accommodation	} \$ 150 - \$ 180	} *\$ 80.00	\$ 47.55 \$ 13.50
Public Servants ¹			
Food and Incidentals ² Private Accommodation	\$ 38.95 – \$ 44.75 \$ 13.50	\$ 45.05 - \$ 47.55 \$ 13.50	\$ 47.55 \$ 13.50
GICs in comparable entities			
Food and Incidentals Private Accommodation	\$ 38.95 - \$ 66.50 \$ 13.50 - \$ 18.00	\$ 45.05 - \$ 66.50 \$ 13.50 - \$ 18.00	\$ 47.55 - \$ 66.50 \$ 13.50 - \$ 18.00

Note

Public servants in government departments and agencies

² Includes allowance for incidentals when staying in private accommodation

Until January 1997, the CLRB's per diem was higher than comparable federal entities.

CLRB was advised to terminate its travel expense practices

26.86 The Vice-Chairs informed us that "all these [travel] expenses have been incurred, approved, and reimbursed in accordance with existing policies, all of which were known to government authorities and the Treasury Board in particular." However, the documentation that we reviewed indicates that government authorities did not approve of the CLRB's travel policies and that the authorities advised the CLRB to terminate its travel expense practices.

26.87 In March 1994 the Chair informed the Vice-Chairs that the "Treasury Board has made clear to this Board and to other organizations that the status quo will not be tolerated with respect to the current level of expenditures." As a result, he informed them he was revising certain CLRB financial practices, including travel policies for board members.

26.88 In April 1995 the Chair informed the Vice-Chairs that the per diem in effect at the CLRB for board members "is considerably higher than in effect elsewhere in the public service." He also informed them that "the auditors have expressed concerns that the Board pays out close to \$240K in expense per diems without any receipts" and that there was further concern that "a portion of the per diem amount which may exceed Revenue Canada guidelines on allowances for travel" may be taxable.

26.89 The Vice-Chairs informed us that they "have now reached an accommodation with the Chair with respect to [travel] expenses [in a manner] that is in accordance" with the July 1997 advice from the Treasury Board Secretariat. The agreement was reached on 15 September 1997.

Other Financial Concerns

Collection and use of air travel points is questionable

26.90 The Treasury Board Secretariat informed us that the government's policy on collecting air travel points applies to the CLRB. The Treasury Board policy permits the collection and use of air travel points for business purposes only under an overall departmental plan. In 1994, the Chair issued a policy stating that board members could not collect air travel points or must use any points collected for CLRB business travel. We found that some board members, including the Chair, had collected air travel points on government business travel and had neither declared them nor segregated them from air travel points collected on personal travel.

Other Questionable Payments

26.91 As indicated, we reviewed travel and hospitality expenses of board members during the period April 1989 to March 1997. We found instances of specific payments to board members that we believe are not consistent with government financial rules. These payments included duplicate payments for meals, errors in recording of vacation leave, and commissions for sale and purchase of assets.

26.92 We reviewed the system for recording vacation leave. Until April 1996, leave taken was recorded manually by staff in the Chair's office rather than by the CLRB's administrative services. The CLRB has informed us that because there was no formal system for recording vacation leave or providing compensatory leave, some of the leave issues we raised could not be resolved. Errors due to clerical mistakes are being corrected. Certain of our other financial concerns had not been resolved at the time of writing.

26.93 Most comparable federal government entities have a formal system, administered by their human resources

function, for recording vacation and compensatory leave of Governor in Council appointees. The CLRB adopted this practice in April 1996.

Accountability Needs to Be Improved

26.94 Members of the CLRB and similar quasi-judicial agencies must be able to make decisions independently of government as well as be perceived to be able to do so. The provision of legislative authority to make their own travel and hospitality policies is one of the institutional protections that support this independence. It protects members from being limited in hearing cases when travel expense allowances approved by the government are inadequate. However, the need for independence must be balanced by appropriate review procedures and accountability to Parliament.

26.95 The government should propose legislation to Parliament containing guidelines for travel and hospitality expenditures by entities with the authority to establish their own policies for such expenditures.

26.96 The government should require that:

- entities that establish their own travel and hospitality policies publish for review by Parliament these policies and the resulting additional costs in comparison with Treasury Board policies for public servants; and
- the travel and hospitality expense claims of Governor in Council appointees in small agencies that establish their own travel and hospitality policies be reviewed and approved by a central financial function.

Chair's Travel and Hospitality

Pattern of food and hospitality expenditures not reasonable

26.97 As we have indicated, the Chair claims reimbursement of actual travel and hospitality expenses. We found that the Chair's pattern of travel and hospitality expenses is not reasonable. The senior financial officer of the CLRB had questioned the appropriateness of the Chair's travel and hospitality expenses.

26.98 Accommodation expenses. Exhibit 26.4 presents the cost of the Chair's accommodation in comparison with that of public servants who travelled to the same location with a board member. Overall, the Chair's accommodation costs are significantly higher than those of public servants. For example, the Chair's accommodation cost per night in Canada during the period May 1989 to March 1996 ranged from \$59 to \$375. During this period, the accommodation costs of public servants at the same locations as the Chair ranged from \$52 to \$168.

26.99 Food expenses. Exhibit 26.5 presents the Chair's food expenses in North America when hospitality was not extended. From his appointment on 1 May 1989 to 31 March 1997, the Chair claimed

Exhibit 26.4

Chair's Accommodation Expenses Compared with Expenses of Public Servants in the CLRB

		Range of Expenses	
		Chair	Public Servants in CLRB
A.	Canada		
	May 1989-March 1996	\$59 - \$375	\$52 - \$168
	April 1996 – March 1997	\$84 - \$328	\$71 – \$216
В.	Europe		
	May 1989-March 1996	\$130 - \$717	n/a
	April 1996 – March 1997	\$485 - \$515	n/a

n/a Not applicable. CLRB public servants did not travel to Europe.

a total of \$70,700 for about 1,400 meals in North America. During this period, a public servant could claim from \$6.70 to \$8.80 for breakfast expenses; the average claimed by the Chair for breakfast is \$16.86. For lunch a public servant could claim from \$8.50 to \$9.40; the average claimed for lunch by the Chair is \$38.56. For dinner a public servant could claim from \$19.75 to \$25.00; the average claimed for dinner by the Chair is \$91.13. The Chair submits only credit card slips or one-line total expenses on a hotel bill.

26.100 If the Chair had been subject to the Treasury Board rules for public servants, his claims for the meals would have been about \$19,400 rather than \$70,700. The cost of about 1,050 of these meals exceeded Treasury Board rates by 100 percent or more, for an incremental cost of about \$42,400.

26.101 Hospitality expenses. The Privy Council Office's summary of the Treasury Board policy on hospitality expenditures states:

Expenditure of public money for hospitality is strictly limited to initiatives that facilitate operational

Exhibit 26.5

Chair's Food Expenses When Hospitality Not Provided Compared with Treasury Board Allowances for Public Servants (May 1989 to March 1997)

A.	Cost of Meals	Chair ¹	Public Servants ²
	Breakfast	\$17	\$6.70 - \$8.80
	Lunch	\$39	\$8.50 - \$9.40
	Dinner	\$91	\$19.75 - \$25.00
В.	Cost of Meals	Oceasions	Cost
	Total Meals:	1,400	\$70,700
	Above TB rates	1,300	\$51,000
	100% above TB rates	1,050	\$42,400

Average cost of meals

objectives or comply with the requirements of courtesy or protocol. Generally, hospitality expenditures are reimbursed only when recipients are not government employees and the occasion marks important meetings, conferences and ceremonies.

26.102 The Chair claimed hospitality expenses on 564 occasions, for lunch and dinner in North America during the period 1 May 1989 to 31 March 1997, for a total of about \$74,400. During this period, public servants were allowed to spend, on an unusual and non-recurring basis, a maximum of \$25.50 to \$28.20 per person for lunch, and from \$51.84 to \$65.63 per person for dinner. The Chair's average per person lunch hospitality cost was about \$46 and his average per person dinner hospitality cost was about \$93. Exhibit 26.6 presents the Chair's hospitality expenses in North America.

26.103 The Chair's hospitality expenses exceeded the maximum Treasury Board per person lunch and dinner hospitality rates allowed public servants by more than 100 percent on 132 occasions. The total cost for the 132 occasions was about \$24,900. The portion of the cost resulting from the Treasury Board rates being exceeded by more than 100 percent was \$15,100.

26.104 The Treasury Board hospitality policy applies to the Chair in the National Capital Region, his ordinary place of residence. In this Region the Chair spent about \$29,000 on hospitality, primarily on lunch with certain CLRB public servants and board members. The average per person lunch hospitality cost was about \$45. As noted above, the maximum lunch hospitality allowance for public servants ranged from \$25.50 to \$28.20.

26.105 During the period June 1991 to March 1996, the Chair travelled to Europe and spent about \$3,690 on hospitality. The average per person cost for lunch was about \$180; the average per person cost for dinner was about \$195.

The range of allowances allowed for public servants during period May 1989 to March 1997 under Treasury Board policies

26.106 Review by Ethics Counsellor.

The Prime Minister requested that the Ethics Counsellor review allegations that the Chair may have met improperly with a number of railway management representatives during hearings before the Canada Labour Relations Board during 1990-92. In July 1997, the Minister of Labour stated in a press release that the Ethics Counsellor had found "no substance to the allegations of impropriety but was concerned that the CLRB lacks written procedures outlining appropriate behaviour for board members in their dealings with company and union representatives when hearings are underway." The Ethics Counsellor "strongly recommended that the CLRB establish written guidelines as soon as possible." The Minister "accepted the Ethics Counsellor's conclusions and strongly endorsed his recommendation that guidelines be established..." At the time of writing, these guidelines had not yet been developed.

26.107 The Chair mixes personal and government collection and use of air travel points. The Chair provided us with information on air travel points collected and used. The Chair states that he has collected and used a significant number of air travel points for personal and government business since being appointed to the Board in May 1989.

26.108 The air travel points collected by the Chair as a result of government business travel were not declared and segregated from those collected as a result of private travel. Therefore, we could not verify the specific amount of air travel points earned as a result of government travel and used by the Chair. The Chair explained that he used the air travel points resulting from government travel for spousal representational purposes at events in other countries. Since the Chair did not obtain the required approval from the Minister of Labour for the representational function, we believe that the Chair's authority to use the points for these purposes is questionable.

26.109 Non-business use of government telephone calling card and taxi chits. We found that the Chair's government telephone calling card and taxi chits had been used for non-business purposes. As a result of our audit the Chair has reimbursed

been used for non-business purposes. As a result of our audit the Chair has reimbursed the government a total of about \$1,900 for the taxi and telephone calling card expenditures.

26.110 Recording of Chair's vacation leave is inaccurate. We found that about 36 days of leave that the Chair took or was paid for were not recorded in his leave records in his office. The senior financial officer of the CLRB has confirmed our observations and the Chair is reviewing his records.

26.111 Expenses for National Academy of Arbitrators. The Chair has been an official of the National Academy of Arbitrators, including President, for several years. The Chair attended 28 meetings involving the Academy. The total cost paid by the Board for these trips is about \$53,200, excluding costs directly associated with conferences. His average accommodation cost per night was about \$280. About \$7,000 was spent on hospitality; the average per person hospitality cost was about \$130. The National Academy of Arbitrators informed us that as a general practice the expenses incurred by its officers are paid by the

Exhibit 26.6

Chair's Hospitality Expenses in North America Compared with Maximum
Treasury Board Allowances
(May 1989 to March 1997)

Cost of Hospitality	Chair ¹	Public Servants ²
Lunch	\$46	\$25.50 - \$28.20
Dinner	\$93	\$51.84 - \$65.63

Average cost of hospitality

The range of maximum hospitality allowances, on an unusual and non-recurring basis, for public servants during the period May 1989 to March 1997 under Treasury Board policies

officers themselves, by their employers, or by other parties.

Canadian Labour Relations Board's response: The [chapter] is essentially accurate in its account of the history of internal conflict at the Board, and with respect to its failure to achieve acceptable productivity and efficiency in its adjudicative work. There have, however, been substantial achievements in the administration of this institution during my term. These include the successful reduction in the Board's budget by more than 15 percent and the reduction in head office administration by 25 percent at a minimum cost in human terms; the recent setting of performance standards in operations and adjudications and other initiatives... as well as the completion, over the past few years, of major cases involving national employers and requiring massive revision of bargaining unit structures across Canada.

The [chapter] makes a number of recommendations (in paragraphs 26.43; .49; .58; .64; .95 and .96). These would affect both the adjudicative and financial administration of the Board. I agree with these recommendations. Each of them embodies or is consistent with a change which I have sought to have accepted since shortly after my arrival at the Board. Had I been able to carry out these changes the Board's performance could have been improved dramatically. I have had little support in this effort. I welcome the changes that are contained in the proposed legislation.

The [legal] expenses to which the [chapter] refers were paid to various counsel over a considerable period of time to obtain clarification of the authority of the Chairman as Chief Executive Officer in the adjudicative administration of the Board. The expenditures were made to rationalize and improve the Board's operations. As the [chapter] notes, there has been a systemic failure at the Board for a very long period of time. I inherited the

situation, I sought to change it, and I met resistance. Legal advice to me in my capacity as Chairman of the Board was essential.

The legal advice which I obtained was not for my "private" defence. It was not covered either by the terms or the intent of the government's policy. The Vice-Chairs resorted to litigation. It did not proceed. The "ex gratia" payment in respect of legal costs incurred by Vice-Chairs was part of a "settlement" reached in the public interest with the aid of a mediator in order to put an end to job actions being taken by the Vice-Chairs, one of whom had even refused to handle an urgent unlawful strike application. The mediation process was put in motion by the then Minister of Labour. *The Board co-operated with the mediator* and the process.

In the [chapter] ... the "conclusion" is stated that "the Chairman's pattern of expenditures on travel and hospitality is not reasonable". I do not accept that the expenditures were unreasonable.

I agree that the standard to be applied is one of "reasonableness". It is clear that a broad discretion exists in the case of a deputy head. This is clear both from the legislation and all applicable regulations. The [chapter] itself recognizes the special status of the deputy head position.

Unreasonableness must be determined by reference to the responsibilities and functions of the Chairman of the Canada Labour Relations Board.

The work of the Chairman has three main aspects. First, he or she has an overall responsibility for the adjudicative operations of the Board (the extent of which has been the subject of great conflict), as well as a responsibility in the hearing and decision of certain cases before the Board. Actual hearing of cases has involved considerable and at times lengthy travel, the Board's geographical jurisdiction involving all of Canada. My own rate of participation in the hearing and deciding of cases is among the highest at the Board. On some occasions (see, for

example, paragraph 26.106), hospitality expenses may be required.

Second, the Chairman as Chief Executive Officer and as deputy head of the department has administrative duties relating to a department which has offices in Ottawa and in five other locations across Canada. These responsibilities likewise involve considerable travel and, to some degree, hospitality.

Third, there is a more general role of leadership within the labour relations community, both within and outside of Canada. The Chairman is, in an informal way, an ambassador for Canada, and represents Canada at international conferences. My expenses were in line with the expenses of other participants attending such conferences.

Reciprocal international conferences have been held in Canada with substantial intellectual and economic benefit to the country. These have included the hemispherical conference of the International Society for Labour Law and Social Security held in Montreal in 1995, and two conferences of the National Academy of Arbitrators (in Ottawa in 1990 and in Toronto in 1996 — when I was President of the Academy). The holding of the latter two in Canada has been primarily due to my efforts in this aspect of my work.

To state, as the [chapter] does, that expenses incurred in carrying out the duties of Chairman of the Board are unreasonable because they are substantially in excess of the Treasury Board regulations governing the expenses of public servants (regulations which clearly do not apply in the case of deputy heads), is wrong. The appropriate standard of comparison is not to public servants generally, but to public officials having the same status and performing the same or similar functions as the Chairman of the Board. The comparisons used in the report do not provide an appropriate basis for the assessment of my expenses, which in my view were appropriate to the circumstances.

(This response was provided by the Chair of the Canada Labour Relations Board.)



About the Audit

Objective and Scope

The objective of our audit was to determine whether:

- the travel, allowances and benefits reimbursed to the Chairman and the board members were in accordance with relevant legislation and policies of the government and the Canada Labour Relations Board (CLRB);
- the policies of the Treasury Board are clear; and
- the payments made to board members, including the Chair were reasonable.

We examined travel, allowances and benefits policies of the CLRB. For the period April 1989 to March 1997 we audited the reimbursements to the Chairman, current board members and certain former board members since the appointment of the current Chairman. We examined a range of payments, including those for leave, hospitality, hotels, meals, conferences, automobile travel, legal advice, airfare, travel to and from ordinary place of residence, the collection of frequent flyer points and salary per diem payments to former members.

We compared the CLRB's practices with those of other federal boards, commissions and councils with Governor in Council appointees. We did not audit the travel claims of the Governor in Council appointees in these agencies. We also compared the CLRB's practices with those of provincial labour boards, and with similar labour boards in the United States, the United Kingdom, Australia and New Zealand.

The CLRB has been the subject of major recent reviews, including the 1996 report of the Task Force on Part I of the *Canada Labour Code*. These reviews have consistently found similar organizational and performance problems. The purpose of this audit was not to redo the work of these reviews. Rather, we relied on them to identify the underlying causes of the financial problems we were examining. We report those matters that needed to be brought to the attention of Parliament at this time.

We did not examine the travel expenditures of public servants employed by the CLRB. The Treasury Board travel policies govern travel by public servants employed by the CLRB.

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For information, please contact Alan Gilmore, the responsible auditor.

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Report of the Auditor General of Canada to the House of Commons

Ozone Layer Protection: The Unfinished Journey

December 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 27
Ozone Layer Protection: The Unfinished Journey

December 1997

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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Chapter 27

Ozone Layer Protection: The Unfinished Journey The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Commissioner of the Environment and Sustainable Development: Brian Emmett Responsible Auditor: Wayne Cluskey

Ozone Layer Protection: The Unfinished Journey

Main Points

- **27.1** Because of its northern location, Canada is one of the countries most at risk from the effects of ozone layer depletion, considered one of the most serious global environmental issues to confront humankind. It poses major threats to human health and ecosystems.
- 27.2 The problem of ozone layer depletion has not been solved. The full recovery of the ozone layer is not predicted for at least 50 more years, assuming full implementation of the *Montreal Protocol*, an international treaty signed by more than 160 countries and aimed at eliminating ozone-depleting substances (ODS).
- 27.3 Canada has met or exceeded its obligations under the *Montreal Protocol* in each year since it came into effect, according to data compiled by Environment Canada. Canada has also provided assistance to developing countries in their efforts to eliminate ODS. Foreign government officials and experts see Canada as having played a pivotal role in the early development and ongoing evolution of the *Montreal Protocol*.
- **27.4** Effective enforcement of federal ODS regulations under the *Canadian Environmental Protection Act* (*CEPA*) is necessary to ensure that phase-out commitments are fulfilled and reported with confidence, as well as to curb illegal trafficking of ODS. We observed several weaknesses in Environment Canada's overall inspection function for ODS regulations under *CEPA*, and believe it is insufficient to ensure compliance with the regulations.
- 27.5 Canada was among the first countries to put in place a national regime for the recovery and recycling of chlorofluorocarbons (CFCs) aimed at reducing emissions of ODS to the atmosphere, through the implementation of a federal-provincial 1992 National Action Plan. Many of the tasks included in the Plan have been accomplished, including the implementation of regulations in 9 of 10 provinces and the training of more than 75,000 service technicians.
- 27.6 However, there are significant weaknesses in the Plan, including differences in the requirements among the provincial regulations, and gaps in the measurement of the Plan's results, benefits and costs. These weaknesses underscore the complexities involved in managing a federal-provincial partnership and highlight the need for improved federal government accountability in this regard.
- 27.7 Public awareness of ozone depletion is high, due in part to sustained educational efforts by federal departments. Recent surveys show that half of all Canadians do not adequately protect themselves during leisure activities. The potential health consequences and costs to the Canadian public should not be ignored.
- **27.8** Federal departments are substantial users of ODS. Departments we surveyed have implemented strategies to manage their ODS. But they have not met government commitments to lead by example. The federal government has failed to set direction and articulate its expectations for leadership and it has not assigned responsibility to any department for doing this. In effect, no department is in charge.
- 27.9 If proposed *CEPA* regulations for ODS management at federal facilities are implemented in their current form, and in the absence of any other directive from the federal government, gaps in direction will remain in areas such as phase-out target dates for all ODS applications, the management of stockpiles, ODS conversion to, or replacement with, environmentally acceptable alternatives, and the destruction of surplus ODS. We are also concerned that Environment Canada may lack the capacity to enforce the proposed regulations.

Main Points (cont'd)

27.10 Ozone layer protection programs in developed countries, including Canada, have lost momentum. Opportunities exist for the federal government to speed the recovery of the ozone layer. Environment Canada has demonstrated an awareness of many of these opportunities. But we believe it needs to set priorities among competing actions, based on sound science and a comparison of their relative costs and effectiveness in reducing risks. Canadian leadership is arguably needed now more than ever before.

Introduction

27.11 Ozone layer depletion is considered to be one of the most serious global environmental and human health threats we have ever faced.

27.12 Efforts to understand and solve this problem are already a quarter of a century old, yet much work remains to be done at home and abroad before success is achieved. Our grandchildren, and possibly their children, will have to cope with the legacy of ozone layer depletion we leave to them.

27.13 Ozone layer protection is a story of determination and achievement. Over 160 countries have united to eliminate the production of chemicals that destroy ozone. Successes to date have been achieved through managed relationships among science, diplomacy, policy making and industrial ingenuity. They provide evidence that solutions to complex global issues demand co-operative efforts from all sectors of society and all corners of the world, and that, through dedication, solutions can be found.

Ozone Layer Depletion

27.14 The Earth's stratospheric ozone layer is crucial to life on Earth. It protects living things from the harmful effects of the sun's ultraviolet radiation. Located 15 to 35 km above the Earth's surface, the ozone layer absorbs all but a small fraction of harmful ultraviolet radiation emanating from the sun.

27.15 Today there is scientific consensus that manufactured chemicals, known as "ozone-depleting substances" (ODS), are responsible for depleting the ozone layer. Although ODS are chemically stable in everyday use, once they reach the stratosphere they are broken apart to release chlorine and bromine atoms, the active ingredients that destroy ozone. Ozone depletion results in increased levels of ultraviolet-B (UV-B)

radiation at the Earth's surface. The process of ozone layer depletion is depicted in Exhibit 27.1.

27.16 Because of its northern location, Canada is one of the countries most at risk from the harmful effects of ozone depletion. By 1997, the ozone layer over the midlatitude regions of Canada has been depleted by as much as 7 percent averaged over the entire year, compared with pre–1980 levels. This has been accompanied by an increase in ultraviolet-B radiation of approximately 8 percent.

A major human health and environmental threat

27.17 The risks to human health from ozone depletion are substantial. UV-B radiation causes melanoma and other skin cancers in humans. A portion of the observed threefold increase in melanoma cancer rates in Canada between 1969 and 1992 is believed to be the result of ozone depletion. It is estimated that in 1997, 61,000 Canadians will develop skin cancer; 3,200 will have melanoma. Of these, 660 are expected to die as a result. Other potential health risks are related to eye diseases and to immune system deficiencies.

27.18 Analyses by Environment Canada suggest that the successful implementation of existing federal regulations will result in future health benefits and savings worth billions of dollars.

27.19 Increased UV-B radiation also affects the growth of plants, has the potential to disrupt the biodiversity of terrestrial ecosystems, and is harmful to aquatic ecosystems.

A Global Problem: A Global Response

27.20 Emissions of ODS do not respect geographic or jurisdictional boundaries. The ozone layer over Canada is affected as much by emissions from abroad as by emissions at home. This

Protection of our planet requires dedication and determination.

Canada is one of the countries most at risk.

Ozone layer depletion puts Canadians' health at risk.

Ozone Layer Protection: The Unfinished Journey

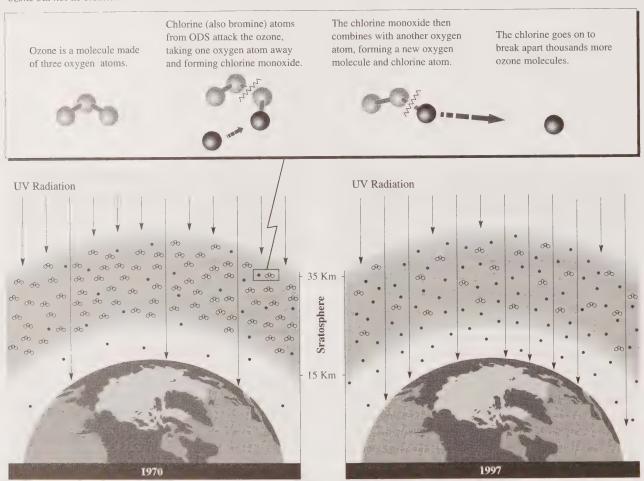
means that unilateral action by one country will have little impact on ozone recovery. Conversely, inaction by one or more countries undermines the efforts of all others. Actions to solve ozone depletion must continue to be undertaken on a global scale, by all nations.

27.21 The worldwide production and use of ODS grew steadily until the late 1980s. Considered safe, reliable, versatile and cheap, ODS came to form part of the fabric of modern society. Until recently, they were used extensively in the manufacturing of industrial and consumer

Exhibit 27.1

Schematic of the Process of Ozone Depletion

Ozone in the stratosphere undergoes a natural process of destruction and creation. The presence of chlorine and bromine in the ozone layer speeds up the destruction of ozone but not its creation.



- By 1997, at northern midlatitudes including over Canada, the ozone layer will have depleted by some 7% compared with pre-1980 levels. This will be accompanied by an increase in UV-B radiation of approximately 8%.
- UV-B radiation causes both melanoma and non-melanoma skin cancer, cataracts and immune system deficiencies in humans.
- Increased UV-B radiation also impacts on terrestrial and aquatic ecosystems and biota.

Note: Depiction is for illustrative purposes only and is not to scale.

products such as foams and electronic equipment, and were contained in thousands of end-use applications and consumer products, such as refrigerators, fire extinguishers and medical devices. The nature and uses of ozone-depleting substances are illustrated in Exhibit 27.2.

The Vienna Convention

27.22 Scientists first expressed the concern that human activities were causing destruction of the ozone layer in

the early 1970s. This concern led to the signing in 1985 of the Vienna Convention for Protection of the Ozone Layer, negotiated under the auspices of the United Nations Environment Program (UNEP). The Vienna Convention committed its signatories to co-operate in areas of scientific investigation and, more important, laid the foundation for future controls. At the time it was negotiated, there was considerably more scientific uncertainty and industrial opposition than exists today. For this reason, the Vienna

Exhibit 27.2

Nature and Uses of Ozone-Depleting Substances

Ozone-depleting Substances	Ozone-depleting Potential Range ¹	Canada's Phase-out Date	Lifetime in Atmosphere	Commercial Uses
Halons	3.0 to 10.0	January 1, 1994	up to 65 years	in fire-extinguishing equipment and systems
Carbon Tetrachloride	1.1	January 1, 1995	up to 42 years	"chemical feedstock" in the production of CFCs, fire extinguishers, dry cleaning agent, and as an ingredient in pesticides, pharmaceuticals, paints and solvents
CFCs	0.6 to 1.0	January 1, 1996	between 50 and 1,700 years	propellant in aerosols, coolants in refrigerators and air conditioners, solvents in degreasers and cleaners, foam-blowing agent
Methyl Chloroform	0.1	January 1, 1996	6 years	solvent in cleaners, degreasers and adhesives
Methyl Bromide	0.6	January 1, 2005 ²	up to 2 years	pesticide used in soil fumigation and fumigation of some food production facilities, in some transportation and quarantine applications, related to the export and import of food and other agricultural products
HCFCs ³	0.001 to 0.52	January 1, 2020	up to 19 years	foam blowing, refrigeration and air conditioning, solvent cleaning and, to a lesser extent, aerosols and fire protection

Each substance has a different effect on the ozone layer, and is measured using a standardized reference known as its ozone-depleting potential (ODP)

Although CEPA ODS regulations currently indicate a phase-out date of January 1, 2010, at the ninth meeting of the parties to the *Montreal Protocol* the parties, including Canada, agreed to a phase-out of methyl bromide by January 1, 2005 for developed countries

Most HCFCs have been developed for use as transitional chemicals to replace the more damaging ozone-depleting substances, mainly CFCs,

Actions to solve ozone layer depletion must be undertaken on a global scale.

The *Montreal Protocol* broke new ground.

Convention is often considered to be the world's first acceptance of the "precautionary principle": nations agreed to tackle an issue before its effects were felt or its existence was scientifically proven.

The Montreal Protocol

In September 1987, 24 countries signed the Montreal Protocol on Substances That Deplete the Ozone Layer. It has since been ratified by more than 160 countries. The Montreal Protocol reflects a determination to protect the ozone layer by taking precautionary measures to control substances that deplete it, and ultimately to eliminate them. The Montreal Protocol controls the production, import and export of new ODS. It does not control the use of ODS in such applications as manufacturing or equipment, nor does it control emissions to the atmosphere. Features of the Montreal Protocol, including the existing ODS phase-out schedule, are described in Appendix A.

27.24 The *Montreal Protocol* broke new ground in many areas and is often hailed as a model for solving environmental issues of a similar nature. Many factors have contributed to its success to date, including:

- a strong scientific basis, supported by major scientific assessments on ozone depletion, undertaken at the UNEP level;
- binding, measurable reduction schedules, which apply equally to all developed countries;
- special provisions for developing countries, based on the principle of mutual but differentiated responsibilities, such as a grace period for phase-out of ODS and direct financial assistance through the Multilateral Fund (described in Appendix B); and
- incentives to encourage participation by all countries through mandatory trade controls against non-parties.

Some lessons learned in the global ozone layer protection experience are presented in the Special Insert on page 27–18.

27.25 The *Montreal Protocol* is a living treaty, with built-in provisions for making changes on the basis of new scientific information and technological developments. The control regime established in 1987 has since been modified on several occasions, both by adding new substances to the regime and by accelerating the phase-out schedules for existing ones. Over 90 individual ozone-depleting substances are now controlled under the *Montreal Protocol*.

27.26 The Montreal Protocol has been remarkably successful in achieving its objectives to date. From peak production levels of nearly one million tonnes of CFCs per year in 1986, new production of CFCs ceased in most developed countries by 1996 (with the exception of small quantities for uses deemed essential). The results for halons are even more impressive: in developed countries, phase-out of new production was achieved by 1994.

Technically, economically and 27.27 environmentally acceptable alternatives have been developed for the vast majority of applications of CFCs and other ODS. However, there are some applications for which permanent acceptable alternatives have yet to be found. The conversion within industry to ozone-friendly technologies and processes resulted, in some cases, in economic savings and improved product performance. To date, this conversion has been largely invisible to most Canadians — but it is also incomplete. For example, the expensive and inconvenient task of dealing with ODS in older household refrigerators and car air-conditioners has yet to come.

An Unfinished Journey...

27.28 Scientists predict that it will be at least 50 more years before the ozone layer fully recovers, assuming complete

implementation of the *Montreal Protocol* and its amendments by all signatory nations. Unfortunately, this has not yet been achieved. Nor will it be, in our opinion, without the sustained, even accelerated, efforts of leading nations such as Canada. Despite achievements to date, the journey to repair the ozone layer is far from over and success is far from assured.

27.29 Sources of emissions of ODS, and other conditions, have shifted dramatically since the *Montreal Protocol* was first negotiated, and particularly since CFC phase-out in developed countries was completed in 1996. New challenges are confronting governments around the world:

- Controls on hydrochlorofluorocarbons (HCFCs) and methyl bromide will be required for decades to come.
- Developing countries now represent the largest threat to ozone layer recovery: their production and use of CFCs and halons has grown in recent years and is still increasing. Despite substantial financial assistance provided to date through the Multilateral Fund, many have already signaled anticipated difficulties in complying with the *Montreal Protocol*.
- Some countries with economies in transition are also experiencing difficulties in meeting their obligations.
- Substantial quantities of new and used CFCs and halons are contained in existing equipment or being stored for future use. Unless destroyed, or converted to other substances, they are destined for release into the atmosphere.
- In developed countries, CFCs and halons are scarce and valuable commodities; there is a demand for these substances to service existing equipment dependent on them, such as in refrigeration, air-conditioning and fire

suppression systems. The *Montreal Protocol* does not currently prevent the international trade of used or recycled ODS. This has given rise to a black market trade in ODS whereby newly produced substances are sold as used or recycled substances.

27.30 Because of these changes in conditions, this is an important juncture in the evolution of global and Canadian efforts to protect the ozone layer.

Strategies that worked well over the past decade need to be critically examined and adjusted to meet the needs of future decades. Opportunities exist to ensure full implementation of the *Montreal Protocol* in developed and developing nations and to speed the recovery of the ozone layer. Canadian leadership in capitalizing on these opportunities is arguably needed now more than ever before.

Recovery of the ozone layer is far from assured.

New challenges face governments around the world.

Focus of the Audit

The focus of our audit was on Canada's implementation of the Montreal Protocol and other controls on ODS. The chapter first examines the implementation of the federal regulatory framework under the Canadian Environmental Protection Act (CEPA) for achieving the commitments made in the Montreal Protocol. It then assesses the activities in areas of joint federal-provincial responsibility through the development and implementation of the 1992 National Action Plan. We also address the extent to which federal departments have implemented measures to "green" their own operations with respect to ozone-depleting substances. We also point to lessons learned in the global ozone layer protection experience. Audit objectives, criteria and approach are described in detail at the end of the chapter in About the Audit.

This is an important juncture in global and Canadian efforts to protect the ozone layer.

Observations and Recommendations

Canada in a Global Context

A legacy of contributions

27.32 For over two decades, Canadians have been at the forefront of efforts to address ozone depletion, and have united to develop a domestic and international control regime that accommodates a range of competing interests.

27.33 Such efforts have been linked to and combined with those of other countries, numerous United Nations agencies and other international organizations, and expert Assessment Panels. Foreign government officials and experts see Canada as a pivotal player in

the early development and ongoing evolution of the global response to ozone layer depletion. Some hold the view that the *Montreal Protocol* would not exist in its current form had it not been for the leadership and intervention of Canadians. Some illustrations of Canadian global contributions are given in Exhibit 27.3.

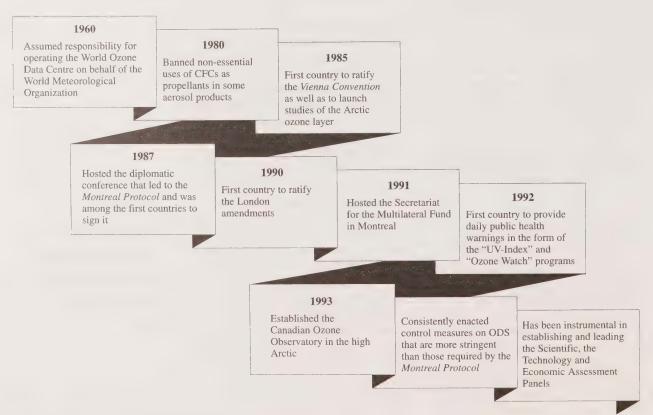
Canada's regulatory and policy framework

27.34 The federal government's efforts in this field encompass many activities. Environment Canada is the lead federal department. It is active in areas such as international negotiations, implementing and enforcing *CEPA* regulations, scientific research and monitoring, public education, and providing assistance to developing countries. Environment Canada acts as a partner and works co-operatively with

Canadians have been at the forefront of efforts to protect the ozone layer.

Exhibit 27.3

A Legacy of Canadian Contributions



several other federal departments, other levels of government in Canada, industry, academia, non-government environmental and health organizations, and the public.

27.35 Canada first regulated CFCs in 1980, when it banned their use as aerosol propellants in a variety of toiletry items and other consumer products. The *Montreal Protocol* was subsequently implemented through a series of ODS regulations made under the *CEPA*.

27.36 Provinces have also regulated end-use applications and recycling of ODS. Such regulations were not required by the *Montreal Protocol*. These regulations were co-ordinated through the 1992 National Action Plan on Recovery, Recycling and Reclamation of CFCs, issued by the Canadian Council of Ministers of the Environment's (CCME).

27.37 The federal government has also promoted the use of non-regulatory measures in its own operations, including commitments to green its operations as contained in the 1995 *Guide to Green Government*.

Meeting Our International Commitments

27.38 Overall, Canada's accomplishments under the *Montreal Protocol* compare favorably with, and in several instances exceed, those of other countries.

Implementation through CEPA regulations

27.39 Control of ODS. According to data compiled by Environment Canada, Canada has met, and in some cases exceeded, its obligations to control ODS under the *Montreal Protocol* each year since it came into effect. Canada's accomplishments for CFCs, halons, HCFCs and methyl bromide are illustrated in Exhibit 27.4. In many cases, phase-out dates enacted under *CEPA* were more stringent than required by the *Montreal*

Protocol. Also, Canada's actual consumption was often significantly lower than the maximum allowed it under the Montreal Protocol. Controls on HCFCs and methyl bromide will be required in Canada for several more decades.

27.40 Trade bans. The *Montreal Protocol* requires parties to ban imports and exports of ODS and certain products containing ODS from and to nations not party to it. Canada has issued the required trade bans.

27.41 Reporting of data. Parties are required to submit data yearly to the United Nations Environment Program (UNEP) on their production, imports, exports, destruction and recycling of controlled substances. Complete and timely data reporting is a chronic problem within the *Montreal Protocol*, and many countries do not fulfil their obligations. Canada has duly reported its data to UNEP.

Effective results measurement and solid policy foundations

27.42 Many factors were critical to Canada's successes in influencing and implementing the controls under the *Montreal Protocol*. Such factors included ongoing measurement of results achieved, scientific, technical and cost-benefit justification, and effective stakeholder consultation.

27.43 Results measurement. Results must be measured against stated program objectives if needed changes are to be identified and future directions set. CEPA ODS regulations made use of clear and precise phase-out targets, like those contained in the Montreal Protocol. Coupled with an infrastructure for collecting and analyzing data on the production and trade of ODS, this facilitated a relatively straightforward measurement of the results achieved. Supported by monitoring of atmospheric bromine and chlorine levels, such measurements strengthened Environment Canada's position in advocating the need

Canada's
accomplishments
compare with and in
some cases exceed
those of other
countries.

Strong science and consultation have been key to Canada's successes.

for additional controls on ODS and implementing them.

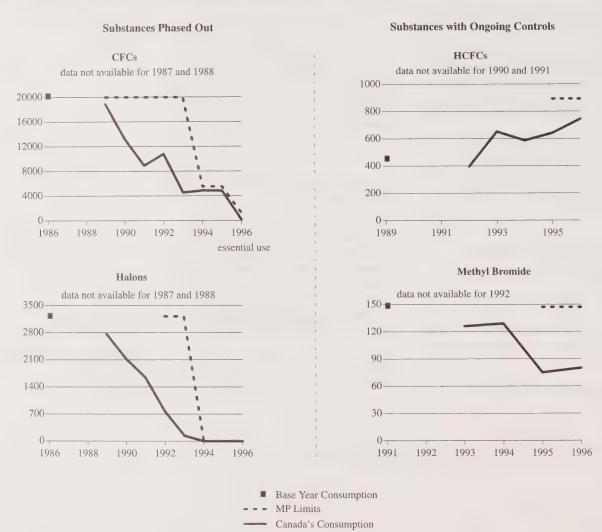
27.44 Scientific foundations. Controls enacted under *CEPA* were science-based, drawing on the UNEP science assessments. Environment Canada also conducted extensive research, monitoring and reporting the ozone-related trends and impacts in Canada. Together, these

scientific investigations mobilized Canadian industry and public support for the *Montreal Protocol* objectives and accompanying *CEPA* ODS regulations.

27.45 Technical and socio-economic analysis. Controls enacted under the *Montreal Protocol* were also supported by regular major UNEP assessments of the state of technology and economics. *CEPA*

Exhibit 27.4

Canada's Consumption of Ozone-Depleting Substances Weighted in Metric Tonnes*



Sources: OAG analysis derived from the Handbook for the International Treaties for the Protection of the Ozone Layer, UNEP; and data compiled by Environment Canada for submission to UNEP

^{*}Weighted tonnes = actual tonnes x ozone depletion potential (ODP)

ODS regulations were developed using this information and were also subjected to analysis of costs, benefits and technical feasibility. At least 17 separate studies have been conducted during the life of the program.

27.46 Stakeholder consultations.

Environment Canada regularly consults with affected stakeholders regarding various elements of the ozone protection program, including the content of CEPA regulations, non-regulatory initiatives, and international negotiating positions. Stakeholders interviewed in the course of our audit expressed a high level of satisfaction with the extent of consultation and the degree of sensitivity to their needs and concerns. Agriculture and Agri-Food Canada has supported a similar consultation process with the methyl bromide stakeholder community, and has worked with industry to demonstrate alternatives. This consultation has fostered industry and public support for the control initiatives and, in our opinion, was important to the successful achievement of the Montreal Protocol objectives.

Funding commitments being met and results achieved through bilateral assistance

Canada currently contributes approximately US \$5.7 million per year to the Multilateral Fund. Canada met its funding obligations in the period from 1990–1993 and the bulk of its obligations from 1994-1996, although a portion is unpaid for this latter period. Canada's cumulative contribution to date is approximately US \$30 million. Responsibility for making Canada's contribution to the Multilateral Fund is shared between Environment Canada (20 percent) and the Canadian International Development Agency (80 percent). This is a long-term funding obligation that will continue for many years to come.

27.48 Donor countries to the Multilateral Fund may make up to 20

percent of their contributions in the form of country-to-country bilateral assistance projects, matching their technologies and expertise with the needs of developing countries. Environment Canada has been a leader in implementing such projects. These projects have played a constructive role in helping recipient countries to meet their *Montreal Protocol* obligations. They have also supported Canada's foreign policy objectives and provided opportunities for the growth of Canadian environmental industries.

27.49 Other donor countries are increasing their attention to bilateral assistance projects; one country we surveyed has four full-time employees dedicated to its bilateral assistance programs. Environment Canada's bilateral assistance efforts have no full-time staff, which suggests to us that they are viewed by senior management in the Department as a discretionary, not strategic, component of the Department's efforts to preserve the ozone layer.

27.50 In our opinion, bilateral assistance projects represent a "win-win" situation for Canada, recipient countries and the ozone layer. We believe that Environment Canada could build on successes to date by formalizing its efforts to promote bilateral assistance projects and by strategically engaging other organizations, such as the Canadian International Development Agency, to capitalize on their networks, activities and expertise.

Weaknesses in the enforcement of *CEPA* regulations

27.51 Effective enforcement of ODS regulations is pivotal to ensuring that commitments to the *Montreal Protocol* are met, particularly in light of ongoing and long-term obligations to control HCFCs, methyl bromide and used CFCs and halons. It is also essential to curb ODS smuggling operations in Canada. Although the full extent of this problem in Canada is not known, recent joint

Bilateral assistance to developing countries is a "win-win" situation.

Effective enforcement of CEPA regulations on ozone-depleting substances (ODS) is pivotal to meeting Canada's commitments.

The existing inspection regime is insufficient to ensure compliance.

Canadian-U.S. investigations that have led to prosecutions on both sides of the border indicate that the activity is real.

Inspection of regulated 27.52 companies is the main instrument used by Environment Canada to achieve two objectives: assurance of the accuracy of data reported to UNEP, and compliance by companies subject to CEPA ODS regulations. Environment Canada's regional offices have a high degree of autonomy in determining their inspection plans and carrying out their inspection program, while headquarters is responsible for setting general direction and co-ordinating regional efforts. We observed several weaknesses in Environment Canada's overall inspection regime for CEPA ODS regulations, including inconsistent identification of the regulated community, an unclear planning process for determining which companies to inspect, and inconsistent inspection coverage of the regulated community. At present, this inspection regime is insufficient to ensure compliance with the CEPA ODS regulations.

27.53 Inconsistent identification of regulated community. Companies potentially subject to inspections include those that have been granted permission under CEPA to import, export or manufacture ODS (they are required to report data to Environment Canada) as well as others that may be engaged in the import or export of new or used ODS. Environment Canada's regional offices do not use a consistent approach to identify the companies subject to inspections. Some regions use only a list of permitted companies provided by headquarters, others use data collected by Revenue Canada-Customs, and others inspect companies in market sectors that use ODS. In practice, companies that conduct the same activities in more than one region may be subject to inspections in one region but not in others.

27.54 Unclear planning process.

Environment Canada's Enforcement and Compliance Policy requires that the schedule of inspections be determined by the risk the substance or activity presents to the environment or to human health, and by the compliance record of the individual, company or government agency. Our audit found no evidence that these or any other criteria were applied consistently from region to region. Furthermore, Environment Canada has not determined the level of inspection coverage necessary to ensure compliance with the ODS regulations and to verify the accuracy of data reported to UNEP.

Inspections of permitted companies. These weaknesses have led in turn to gaps and inconsistencies in inspection coverage. Of the 174 operations with permission to import, export or produce ODS in Canada, 108 are farmers or companies who import small quantities of methyl bromide, and others who have transferred their consumption allowance to authorized importers. Very few of these have been inspected. Nationally, fewer than 20 percent of the remaining companies have been inspected by Environment Canada in the past three years, although there are wide variations in the inspection coverage from region to region. For example, 8 of 16 companies with ODS permits in the Pacific and Yukon Region were inspected in that period, while only 2 of 31 companies in Ontario were inspected. Many of the Ontario companies have never been inspected.

27.56 Inspections of non-permitted companies. Various sources can be used to identify non-permitted companies subject to inspection; one source is data collected by Revenue Canada-Customs, which tracks imports on a shipment-by-shipment basis. In some regions, these data are used as a primary source for inspections, while in others they are rarely used. In 1996, for example, Customs data identified 49 Ontario

companies importing over 10 kilograms of ODS that did not have a permit to do so; only one of these has been inspected by Environment Canada in the past three years. Many of these companies reportedly have imported thousands of kilograms of ODS, but Environment Canada has neither inspected them nor followed up with Revenue Canada to learn more about the companies or the reported data.

27.57 In all, Environment Canada has completed only 24 ODS inspections in the Ontario and Quebec regions in the past three years, even though these regions include over 80 percent of the thousands of companies that use ODS and that therefore may have imported or exported ODS. In contrast, 90 ODS inspections were completed in the three smaller regions over the same period. In effect, companies subject to ODS inspections have a much greater likelihood of being inspected in some regions than in others.

27.58 Environment Canada's inspection plans should, in a consistent manner across regions, identify companies subject to inspection under the CEPA ODS regulations.

27.59 Environment Canada should apply consistently across all regions its criteria for selecting companies to inspect.

27.60 Environment Canada should determine and carry out the level of inspection coverage it considers necessary to ensure compliance with the ODS regulations and verify the accuracy of data reported to the United Nations Environment Program (UNEP).

Department's response: Environment Canada agrees on the need for a nationally consistent inspection plan for companies subject to inspection under the ODS regulations. A National Inspection Plan is prepared annually, which reflects both national and regional priorities. Enforcement and program branches provide input. Information compiled from the program branches is communicated to regional enforcement staff to plan inspections of companies that have requested and received permits.

Environment Canada agrees that this information can and will be communicated in a more consistent manner to inspectors.

Environment Canada agrees that criteria for selecting companies to inspect should be applied consistently across regions. These criteria will be based on an assessment of risk (potential of illegal import/export) by industry sector.

Environment Canada has determined that ODS regulations are a departmental priority and inspection coverage will be determined based on an assessment of the potential risk of illegal import and export of ODS. The Department currently has 68 full-time designated inspectors, and is responsible for enforcing more than 30 CEPA regulations.

Given the great potential for illegal import/export of ODS, the majority of Environment Canada's enforcement effort has been focussed on working with our partners — domestic and international—to determine and stop the illegal transboundary movement of ODS. There have been several notable successes in this regard, and more are expected as Environment Canada establishes new partnerships and improves existing ones.

Results from previous inspections show that the data reported to UNEP were accurate.

Going beyond the *Montreal Protocol*: The 1992 National Action Plan

Tasks being accomplished

27.61 1992 National Action Plan. In October 1992, a federal-provincial working group led by Environment Canada prepared a national plan later

published by the Canadian Council of Ministers of the Environment (CCME). The 1992 National Action Plan for Recovery, Recycling and Reclamation of CFCs aimed to achieve the implementation of harmonized provincial regulations on recovery and recycling, in order to reduce emissions of CFCs into the atmosphere. The federal government considered a nationally consistent recovery and recycling regime to be critical to achieving its objective of an accelerated phase-out of CFCs. Canada was among the first countries to introduce such a regime and, at the time, it went above and beyond the requirements of the Montreal Protocol.

27.62 The 1992 National Action Plan is a federal-provincial partnership, based on shared responsibilities, and was the result of political and jurisdictional compromise. It established a series of tasks directing the federal and provincial governments to take action in specific areas.

27.63 As custodian of the Plan, Environment Canada is responsible for managing the harmonization process. Its tasks include monitoring the implementation of the process, facilitating communication and information sharing among provinces, and identifying and communicating discrepancies in provincial regulations. Successful

LESSONS LEARNED IN GLOBAL OZONE LAYER PROTECTION

Flexible but incremental

Designers of the Montreal Protocol began with the end in mind but implemented the phase-out incrementally, or in phases.

Governments did not wait for final solutions to be in place before making commitments — the journey began with a "single step". By design, the Montreal Protocol was flexible, with built-in provisions for adapting to new circumstances through adjustments and amendments.



Pushing the boundaries and harnessing industry

The Montreal Protocol successfully harnessed competitive forces and spurred industrial competition, entrepreneurship and innovation. In 1987, 1990, 1992 and 1995, governments set phase-out targets that pushed the limits of technology — and in each case, technology-based barriers tumbled as industry responded with solutions.



Scientific evidence and consensus

When the *Montreal Protocol* was negotiated there were many areas of

scientific uncertainty. The establishment of the Scientific Assessment Panel provided an effective forum for obtaining and reporting consensus among international scientists and research institutions and for supporting policy decisions. Concerted and sustained scientific investigation into the causes and effects of ozone layer depletion provided evidence upon which to base control actions. Such evidence was instrumental in uniting governments, industry and environmental groups in a common purpose.



Collaboration and consultation

The Montreal Protocol has succeeded because of a deliberate and managed collaboration among industry, environmental activists, academia and governments. Such collaboration was fostered throughout the structure of the Montreal Protocol process and committees. The Technology and Economic Assessment Panel (TEAP), dominated by industry members, was especially effective at mobilizing industrial support, promoting technology exchange and identifying the boundaries of technology, thereby supporting policy decisions.

Measurable targets

The Montreal Protocol adopted a high level of precision by implementing clear, measurable phase-out targets and schedules, allowing for effective measurement of progress. Mandatory data reporting facilitated tracking of countries' performance against their commitments and country-to-country comparisons.



Information and technology exchange

The adoption and application of alternative technologies was greatly facilitated through managed technology transfer initiatives. Some transfers occurred formally through the Multilateral Fund sponsored programs, including bilateral assistance projects, as well as informally through industry-led workshops and technical assistance, and government-to-government training.



implementation of the National Action Plan is highly dependent on actions taken by provinces.

27.64 Many of the tasks specified in the 1992 National Action Plan have been accomplished. We identified three areas where progress has been particularly significant: development of a Code of Practice, implementation of provincial regulations, and technician training.

27.65 Code of Practice. A Code of Practice for the Elimination of Fluorocarbon Emissions from Refrigeration and Air Conditioning Systems was published under section 8 of the Canadian Environmental Protection Act (CEPA) in March 1991. The Code has served as a foundation for provincial regulations, has formed a major part of the technician training program (described below) and has been used by federal departments in the preparation of their ODS management strategies. Industry acceptance of the Code has been favourable and supportive. The Code was updated in 1996.

27.66 Harmonization of provincial regulations. As of mid-1997, nine provinces and the Yukon Territory had ODS regulations in force, and the Northwest Territories had guidelines in place. At a high level, there is substantial harmonization of the content of these regulations across the country. In our opinion, Environment Canada is to be credited for its efforts in co-ordinating a complex harmonization process; without such efforts, the level of harmonization may have been lower.

27.67 Technician training program in ODS. In 1992, Environment Canada and the Heating, Refrigeration and Air Conditioning Institute (HRAI) jointly developed a training program for service technicians. Its aim was to promote environmental awareness and sound work practices by technicians installing or servicing refrigeration and air conditioning equipment and systems. To

date, 75,000 technicians have been trained. However, a significant gap in coverage exists because the province of Quebec has not yet implemented a training program.

Gaps in harmonization and in the measurement of results, benefits and costs

27.68 Impacts of provincial inconsistency. Based on suggested guidelines, the provincial regulations were enacted in succession, allowing a province to deviate from the guidelines to reflect the experience gained by another jurisdiction and to respond to local circumstances. As a result, there are some differences in detail among the provincial regulation regimes. The current level of harmonization is considered by many government officials to be as good as it gets in Canada. However, some industry members, particularly those who conduct business in more than one province, are of the view that the gaps in harmonization are significant and indicate a failed process that imposes unnecessary costs on business.

27.69 A broad comparison of the regulations was carried out by the federal-provincial working group in 1995. This comparison identified several differences, including deadlines for prohibiting certain uses of ODS, reporting of accidental releases, labelling of serviced equipment, and use of refillable containers. The working group did not assess in detail the significance of these differences or their potential impacts on health, the environment and industry. Environment Canada states that consultations held during that period did not reveal areas of concern that would have warranted further investigative studies.

27.70 Environment Canada, through the federal-provincial working group, should assess the economic and environmental significance of differences in the provincial regulations. Some significant progress has been made in implementing the 1992 National Action Plan.

Harmonization: A success or failure?

Significant differences should be brought to the attention of the Canadian Council of Ministers of the Environment (CCME) for its consideration and possible action.

Department's response: Environment Canada will propose to the Federal-Provincial Working Group (FPWG) that such a study be undertaken. If the FPWG is agreeable to such a study, then the Department as chair of the FPWG will co-ordinate the study and bring the results to the CCME ministers' attention at their fall 1998 meeting.

27.71 Measurement of results of the 1992 National Action Plan is problematic. We found it difficult to understand the commitments made, due to the lack of measurable or quantifiable objectives and targets, the use of imprecise language and undefined terms, and the use of qualifiers. We could not clearly link the stated objectives with the "components deemed essential" to the tasks identified for action.

27.72 Environment Canada believes that its data on production, import and export of ODS, coupled with results from periodic surveys of "use patterns", demonstrate, albeit indirectly, that the National Action Plan was successful in reducing the demand for newly produced CFCs (a stated objective) in the years prior to 1996.

27.73 These and other results, however, have not been directly measured or quantified. The effectiveness of provincial regulations in "minimizing" emissions of CFCs (a stated objective) has not been demonstrated, primarily because an infrastructure for data collection and tracking was never established, even though it was considered an "essential component". An evaluation of the costs to industry and governments was not undertaken prior to the Plan's approval and implementation, or since. As a consequence, neither the benefits nor the costs of the National Action Plan are

known, making its cost effectiveness impossible to determine.

27.74 It is troubling to us that the Plan, which led to provincial regulations from coast to coast, has not been subjected to public scrutiny of its cumulative costs and benefits. We are particularly concerned because the lack of effective measurement of results, benefits and costs can affect the ability to make sound decisions on the future direction of the program and its related activities. Environment Canada has advised us that it is not its normal practice to conduct cost-benefit analyses of "policies" such as the National Action Plan; rather, each province is responsible for its own regulation.

27.75 The 1992 National Action Plan mobilized political will and stimulated action. However, in our view, the weaknesses we have described underscore the complexities involved in managing a federal-provincial partnership. They also raise important questions about the respective accountabilities of the governments involved, particularly of the federal government.

27.76 A federal-provincial partnership was the federal government's chosen strategy for achieving some of its environmental goals. While we believe that there is a limit on the extent to which the federal government can be held accountable for the actions of provinces — or lack thereof — we nevertheless believe the federal government is accountable for the nature and management of the Plan. This is highlighted in paragraph 27.110.

Educating the Public: Is It Working?

27.77 Environment Canada and Health Canada, in partnership with numerous environmental, health, and educational non-government organizations, have used a variety of means to educate Canadians about ozone layer depletion, associated health risks, and potential measures to

Weaknesses in implementation highlight complexities in federal-provincial partnerships.

reduce the risks. Arguably, the most familiar of these are Environment Canada's "UV Index" and "Ozone Watch". Canada was the first country in the world to issue nation-wide daily forecasts in this manner and it has become a model for countries around the world.

27.78 Through these efforts, along with extensive media coverage (see Exhibit 27.5), classroom education, product labels and commercial advertising, Canadians have become highly aware of ozone depletion and the risks it poses to our health and environment. This is confirmed by public opinion surveys. However, awareness of risks is only the first step toward achieving the real objective, which is to change personal behaviour to reduce health risks to acceptable levels. This is recognized as a complex task, particularly among teenagers and young adults.

27.79 Disturbingly, a recent national study found that at least half of all Canadians, especially those age groups most vulnerable (teenagers and young adults), do not protect themselves adequately from UV-B radiation during leisure activities. While the true reason for this lack of protective behaviour is unknown, in our opinion the long-term health consequences and costs are potentially very significant and not to be ignored.

27.80 Health promotion and awareness are the responsibility of Health Canada. Exposure to UV-B radiation is one of many health risks to Canadians that the Department addresses. There is no assigned leadership within the Department for specifically communicating UV-B exposure risks, and no formal strategy to promote behavioral change specific to UV-B radiation exposure. Officials advise us that current and projected budget cuts are likely to substantially reduce the remaining capacity in this area, potentially

resulting in an increased risk to human health along with the associated costs.

27.81 Health Canada, in co-operation with Environment Canada and other partners, should assess the significance of recent public opinion surveys and the effectiveness of current communication activities in promoting behavioral change and, based on its findings, determine the need for renewed or expanded communication programs, particularly among high-risk groups.

Health Canada's response: In co-operation with Environment Canada and other partners, Health Canada will review existing programs to optimize efforts aimed at educating Canadians on promoting changes to personal behaviour that could reduce risks to health and resultant costs associated with a depleting ozone layer; while efforts will be directed to the whole population, vulnerable sections of the population will be targeted.

Environment Canada's response:

Environment Canada will continue to work closely with Health Canada and other partners in both workshops and presentations to educate Canadians about the science of stratospheric ozone depletion, associated health risks, and potential actions Canadians can take to protect themselves.

Federal ODS Stewardship: The Not-So-Greening of Government

27.82 Substantial quantities of ODS are being used and stored within federal facilities across Canada. We had expected the government, as Canada's largest corporate entity, to be as demanding of its own operations as it is of those in the regulated community. Our expectations were heightened by explicit commitments to green government operations, which advocated the role of government as a leader.

Many Canadians do not protect themselves from ultraviolet-B radiation.

Exhibit 27.5

Media Coverage

Le Devoir

le 30 décembre 1990

Montréal obtient le Secrétariat international qui assurera la protection de la couche d'ozone

Le Monde

le 27 Novembre, 1992

Après la conférence de Copenhague Le rythme des interdictions des ces dangereuses pour va être accéléré

MONTBÉAL - LAMEL. natio entre l'éch de p

Winnipeg Free Press

December 9, 1995

vembre, réunis à Copenhague sous l'égide du Proenvirongramme

des

décidé d'accélérer le rythme des interdictions ubstances dange

Canada quickest to prohibit ozone-depleting chemical

Ottawa - Canada is moving faster than other developed countries to limit the use of one of the prime destroyers of the

announced yesterday. The federal government will completely phase out methyl bromide, used to destroy insects in stored grain, by 2001. At a meetce

The Ottawa Citizen

June 3, 1988

Govt. orders cuts in ozone- destroying chemicals

Le Devoir

la chi

le 29 décembre 1993

Lacs et des oce

The Canadian Press

aerosol industry, which has the 40-per-cent cut agreed

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La chaîne de la vie serait menacée

L'amincissement de la couche d'ozone a des effets inattendus dans les cours d'eau

des que dans les océans.

The Montreal Gazette

June 30, 1997

known ns, are they

par

April 8, 1994

later in life than adults do

major-ng with or acti-

Play it safe: Children exposed to the sun

run a greater risk of dire consequences

equally shared. Children and adolescents are more at risk of dire consequences of being exposed to the heat and sun than adults. Significant sunburn in childhood is thought to be a pro-

The Montreal Gazette

Program to phase out CFCs in 3rd world is behind schedule

A Montreal-based international environmental fund is behind schedule in its plan to phase out ozone–destroying CFCs in developing countries, and environmentalists say the fund is failing in its mission to protect the thinMontreal that the \$ for 1991-93 has s only 317 tonnes of

Developing cour 160.000 to 200,000

La Presse

le 8 avril 1997

Minceur record de la couche d'ozone dans l'Arctique

The Toronto Star METRO Edition

May 1, 1997

adian Press vill ban all non-esses of the chemi-destroy the ozone vironment Minister the 40-per-cent cut agreed to by negotiators for 24 of the 43 countries who met last September in Montreal to discuss how to save the aerosol industry, which has decided to eliminate over the next six months the use of the culprit chemicals in spray cans.

Canadians charged with importing banned CFCs to U.S.

PORTLAND ME (AP) - A New Brunswick auto dealership and the couple who own it face U.S. federal charges of illegal importation of a banned chemical linked to destruction of the Earth's ozone layer.

LeBlanc, 51 and his wife, Ann Ma Fredericton, were arrested Monday Rockport, Me.

They are accused of violating U.S. mental and customs laws by selling (La Presse

le 25 mai, 1993

dans la recherche L'industrie Se rue palliatifs acceptables aux CFC

The Globe and Mail

February 8, 1992

KEEP CHILDREN OUT

Ozone damage prompts Environment Canada daily report on cancer—causing rays

tation canadienne s réfrigérants domd'ozone a lancé les s la découverte de augmentation des

«Cela a poussé les manufacturiers à accélérer eurs recherches d'ingénierie», a déclaré Dennis Kozina de la compagnie Copeland canada, un manufacturier d'équipement de réfrigération «C'est un peu un fardeau, mais c'est néces-saire pour continuer dans cette industrie»

27.83 Therefore, we looked at the clarity and consistency of objectives related to the use and phase-out of ozone-depleting substances, to assess the extent to which custodial departments have implemented responsible management practices. Departments selected for this review were National Defence (DND), Public Works and Government Services Canada (PWGSC), Fisheries and Oceans, Transport Canada and Environment Canada.

Government-wide direction and cohesion lacking

27.84 In the 1995 Guide to Green Government, and through other means, the government has declared its commitment to green its operations and to emulate best practices, recognizing its unique position to lead by example. However, these commitments have not been supported by government-wide policy or operational direction to departments on the management, replacement or elimination of ODS. Each department is left to interpret the government's leadership intentions and develop operational performance expectations, largely within existing budgets. In our view, this has resulted in a minimalist approach to the management of ODS, uneven implementation in departments and inconsistent treatment of common issues.

27.85 In our opinion, the federal government has failed to provide direction and has missed or ignored available opportunities to do so, including the 1995 *Guide to Green Government* itself. Unlike some foreign governments, the Government of Canada does not routinely include its own operations within the ambit of regulated ODS end-use controls.

27.86 Since the early 1990s, officials in Environment Canada and other departments have made continuous efforts to define and promote ODS management practices within federal departments. However, such efforts were undertaken in

the absence of a clear mandate and authority to do so. The voluntary nature of Environment Canada's activities was welcomed by some departments but challenged and rebuked by others. In effect, no department is in charge.

Development of strategies slow but proceeding

27.87 Despite the lack of specific direction, individual departments have demonstrated initiative in the development of strategies for managing their ODS. We observed several examples of strong facility-level actions with progressive practices, often driven from the bottom up by self-motivated individuals. Nonetheless, there are significant variations among these departmental strategies — and in some cases within individual departments — in their degree of maturity, the specific nature of commitments, and the level of implementation.

27.88 Departments that have an inherent operational orientation, such as PWGSC, DND and Transport Canada, have tended to implement procedures and systems quickly. PWGSC, for example, prepared its CFC management strategy in 1992.

27.89 The other departments have been somewhat slower to react. Environment Canada, for example, has yet to finalize its strategy, nearly 10 years after the signing of the *Montreal Protocol*, although it has implemented a pilot program at major facilities. Officials in one department advised us that departmental management never approved a strategy for implementation.

27.90 As part of the audit, we interviewed five private sector organizations in order to draw some comparisons about policy direction and implementation. Based on those organizations' experience, we observed that federal departments have been slower to react to the ODS issue and less aggressive in rationalizing existing

There is a lack of direction in defining leadership.

Certain federal departments show some progress in implementing ODS management strategies. Sustainable development strategies may provide leverage for ODS.

The rate of conversion to alternatives has been low in federal departments — target dates have not been established.

Federal facilities regulations send important signals but gaps in leadership will remain.

equipment and converting to alternatives. We also observed that private sector companies are more inclined to set phase-out and emission-rate targets based on numeric percentages.

Low priority for ODS issues

27.91 Most of the departments indicated that ODS management is a low priority. Departments expect effective ODS strategies and actions to be reflected in their sustainable development strategies (SDS) and environmental management systems. While this may provide more leverage for comprehensive ODS management policies, in some cases attention to the ODS issue is being lost as departments focus on preparation of their SDS.

27.92 Departmental commitments are generally designed to meet the requirements of the *Montreal Protocol* and/or *CEPA* regulations (neither of which controls uses or emissions) and the *CEPA* Code of Practice. The commitment to comply with provincial legislation is uneven. Virtually all the departments we surveyed cited economic, not environmental, considerations as a primary driving force behind their ODS strategies. Departments cited the lack of resources and the desire to exercise fiscal responsibility as significant constraints.

27.93 **Departmental ODS strategies** are limited in their reach. Departmental ODS strategies are generally based on minimizing emissions of ODS from operational equipment while maximizing the equipment's economic life. This reflects the perspective that the solution to ozone layer depletion is the continued, conservative use of existing equipment and materials. Few departments have established target dates for the early phase-out or conversion of existing equipment, or set direction for the selection of acceptable alternatives or destruction of surplus quantities. This is directly related to the lack of direction to

do otherwise, uncertainty about the long-term use of existing alternatives such as HCFCs, and a lack of acceptable alternatives in some applications. It is consistent with what we found in some (but not all) private sector organizations, but not what we expected to find within the federal government, given its commitment to lead by example.

Results being achieved but not always measured

27.94 We observed a low rate of conversion of large CFC-based refrigeration and air-conditioning equipment to alternative refrigerants, continuing the risk of slow release of CFCs. In many but not all cases, full life-cycle analysis of conversion or replacement options is not undertaken. Departments report quantities of CFCs in storage to service equipment for decades ahead. One even advised increasing its existing inventory. This will likely prolong the use of ODS and discourage the conversion to alternatives.

27.95 Results in halon fire extinguishing systems were more encouraging. While many halon systems remain in service due to the lack of acceptable replacements, they have largely been reduced to those in critical applications.

27.96 Departments generally remove ODS when equipment is converted or replaced, and the material is either stored for future reuse or returned to the commercial market. In many cases, responsibility for servicing and maintenance of equipment is transferred to third-party contractors, with the expectation that they will follow provincial regulatory requirements. There are very few initiatives to destroy surplus ODS or associated equipment.

27.97 A consolidated inventory of ODS at all federal facilities does not exist. Instead, the regions and facilities within the various departments are responsible for completing ODS inventories. Among

and within departments, the existence, accuracy and level of detail of inventories is uneven.

27.98 We were unable to measure or quantify overall results achieved. No department could provide us with an up-to-date summary of the status of its implementation, although this information was often available at a facility level.

Direction for federal facilities is needed

27.99 It is our strong expectation that comprehensive and effective sustainable development strategies and environmental management systems will substantially strengthen the robustness of existing ODS management practices and lead to improvements in results, and in their measurement.

27.100 In 1995, Environment Canada started to develop regulations for federal facilities under *CEPA* in order to ensure that there is no regulatory gap, considering the measures in place for the private sector. The proposed regulations will send important signals to departments, particularly those that have yet to implement ODS management practices.

27.101 We are concerned that Environment Canada may lack the capacity to enforce these proposed regulations effectively.

27.102 The proposed regulations generally reflect the content of existing provincial regulations, and few departments surveyed expect a substantial impact on existing practices. If the regulations are implemented in their current form, and in the absence of any other directive from the federal government, in our opinion substantial gaps in direction will still remain in areas such as phase-out targets for all applications, the management of stockpiles, the conversion to or replacement with environmentally

acceptable alternatives, and the destruction of surplus ODS.

27.103 The federal government should assign the responsibility and authority to Environment Canada, or another department of its choosing, to clearly articulate its expectations with respect to leadership in the management and elimination of ODS in federal operations and, on that basis, provide clear direction to departments. Such direction could be subsequently reflected in departmental sustainable development strategies and environmental management systems.

Department's response: Environment Canada agrees that a clear assignment of the responsibility and authority to deal with ODS issues would enhance the direction provided to government departments. For its part, Environment Canada is prepared to articulate its expectations of federal operations with respect to the management and elimination of ODS. Our expectations for management of ODS will clearly be spelled out in the halocarbon regulation for federal facilities, currently in draft stage. The revised refrigeration Code of Practice and the Halon Code of Practice recently announced in Part I of the Canada Gazette further articulate our expectations.

Turning to the Future: Finishing the Job of Ozone Layer Protection

27.104 Loss of momentum. Government officials from developed countries report a loss of momentum, attention, and resources for their ozone layer protection programs, in part due to a perception that the problem has been resolved. We observed similar conditions and perceptions in Canada.

27.105 The job is not done. The ozone layer has not recovered, and will not for at least another 50 years, assuming that controls contained in the *Montreal Protocol* are fully implemented.

The ozone layer won't recover for 50 years.

Developed countries' ozone layer protection programs have lost momentum.

Opportunities exist for the federal government to speed ozone layer recovery.

Clearer accountability is needed in managing the federal-provincial ODS partnership.

As global emphasis in protecting the ozone layer necessarily shifts from developed to developing countries, perhaps the greatest threat to ozone recovery is apathy and loss of commitment in developed countries. Direct action by developed countries in transferring their technical, scientific and regulatory expertise is crucial, though its dividends may not be immediately evident.

— Elizabeth Dowdeswell, Executive Director, UNEP.

27.106 As noted in paragraph 27.29, the challenges facing governments in their quest to solve ozone layer depletion have shifted dramatically since the Montreal Protocol was first negotiated. Opportunities do exist for the federal government to take continuing and additional actions to speed the recovery of the ozone layer and ensure full implementation of the Montreal Protocol. Possible domestic actions include improved management of ODS stockpiles, promoting the development of and conversion to alternatives, enacting tighter controls on ODS such as methyl bromide, and destruction. There are also possible opportunities for Canada to strengthen its assistance to developing countries and countries with economies in transition, by expanding bilateral assistance, mobilizing Canada's official development assistance, working co-operatively with non-government organizations, and providing training to foreign government officials. Environment Canada has demonstrated an awareness of many of these.

27.107 Not all of these possible actions have equal effects or costs, and some require globally co-ordinated implementation. In a period when departments' financial and human resources are diminishing, the challenge is to use sound science to identify and implement those actions that, relative to expenditures, will lead to the greatest benefit to ozone recovery and reduction in

risk. This entails setting and balancing priorities among potential domestic and international actions. We could not find evidence that the processes used by Environment Canada to identify and set priorities among competing actions make use of structured comparative analyses of their relative costs and benefits.

Revising the National Action Plan

27.108 In May 1995, the Canadian Council of Ministers of the Environment (CCME) approved and released six specific recommendations to strengthen Canada's efforts to protect the ozone layer. Though noble in intent, the recommendations were generally not accompanied by specific actions and tasks, defined accountabilities or measurable targets. Environment Canada has been slow to act on many of these recommendations.

27.109 The federal-provincial working group, led by Environment Canada, is currently revising the 1992 National Action Plan in consultation with affected parties. The draft revised plan identifies a broad range of tasks and control actions, some of which are carried over from the 1992 National Action Plan and the above-noted 1995 recommendations. In effect, Environment Canada, on behalf of the federal government, has signalled its intent to maintain and renew a federal-provincial partnership through revisions to the National Action Plan.

27.110 In order to address weaknesses in the 1992 National Action Plan, Environment Canada should seek to have included in the revised plan, or other accompanying documentation, the following:

- demonstration of the expected benefits and costs;
- clearly articulated roles, tasks and responsibilities of the respective levels of government;

- measurable objectives, targets and expected outcomes;
- procedures for reliably measuring and reporting on performance; and
- mechanisms to provide for redress and necessary program adjustments.

Department's response: The revised National Action Plan (NAP) has gone through a very thorough public consultation process and responds to the needs identified by stakeholders to strengthen Canada's Ozone Layer Protection Program. Many of the tasks in the new NAP are studies to determine if further control measures are needed. Identifying cost-effective measures will be an important component of these studies. Comprehensive socio-economic cost/benefit analysis will continue to be carried out by the responsible regulatory agency where a regulatory approach is the appropriate response. The plan clearly identifies the tasks, roles and responsibilities, as well as outcomes and timelines.

Although the Federal-Provincial Working Group already submits an annual report on its operations to the National Air Issues Co-ordinating Committee (NAICC), we will strengthen the report to include progress in implementing the NAP. This report will be publicly available on the Green Lane. We will also re-evaluate the NAP every two to three years to identify the need for redress and adjustments. The result of this evaluation will be reported to NAICC.

27.111 Tasks included in the revised draft plan, and the priority assigned to each, were established by the federal-provincial working group on the basis of consultation and professional judgment. We believe that these should be critically re-examined in light of changes in commercial market forces and of the capacity of governments to maintain the necessary infrastructure in the face of budgetary restraint. We further believe

that the priority-setting process would be aided by an explicit structured and science-based evaluation of the comparative costs of the tasks and their relative potential effectiveness in reducing risk. That critical process has been hampered by the lack of measurement of the 1992 National Action Plan results and the absence of a comprehensive cost-benefit analysis.

27.112 Among other things, it is important that Canada decide what to do about the conversion of existing equipment and the management or destruction of existing stocks of CFCs and halons.

27.113 Conversion of equipment.

Environment Canada has acknowledged that the rate of conversion away from CFC-based equipment in Canada is low, considerably lower than in the United States. To date, Environment Canada has done little to provide users with incentives to convert existing equipment to acceptable alternatives. On the contrary, many equipment owners cite the lack of certainty about phase-out dates for HCFCs and the potential regulation of hydrofluorocarbons (HFCs) as disincentives for conversion.

27.114 We are aware that Environment Canada is presently studying the possibility of establishing phase-out dates for existing uses of CFCs and halons, as some other countries have already done, particularly in Europe.

27.115 Management of halon stocks. In comparison with the management of CFCs through the National Action Plan, the stance of Environment Canada toward the management of halons has been more passive: a halon-based national action plan does not exist. Releases of halons from fire protection systems have always presented, and continue to present, a significant threat to the ozone layer. Environment Canada released a *CEPA* Code of Practice for Halons in 1997 and intends to assess the feasibility of phasing

Science-based priority setting is needed.

In Canada there has been a slow rate of conversion to alternatives. out halons from existing systems. Some stakeholders have expressed concern about the lack of attention given to ensuring proper management of halon stocks.

27.116 Decisions on destruction required. There is vagueness and uncertainty about Environment Canada's intentions regarding the destruction of ODS, with no discernible policy direction. Despite repeated statements and commitments made on this matter since 1990, little has been done. Resolution of this issue is important for several reasons.

27.117 If the atmospheric release of halons and CFCs contained in existing equipment or stored for future use is prevented, we will reap significant environmental dividends. Scientists predict that such actions could result, respectively, in a 10 percent and 3 percent improvement in ozone layer recovery, but only if undertaken globally.

27.118 Also, as already noted in this chapter, clear direction has not been given to federal departments regarding the ultimate destruction of ODS managed by them.

27.119 Perhaps most important, the potential destruction of ODS has significant implications with respect to the need to maintain provincial regulations on recovery and recycling of CFCs, and for the proposed regulation of federal facilities. If destruction is not supported, the existing regulatory regime will serve to delay, but not prevent, emissions of CFCs into the atmosphere.

27.120 We acknowledge that destruction represents a complex policy issue. We observed that some countries have implemented ODS destruction programs; others are providing substantial funding for the development and demonstration of destruction technology; and others still struggle with the concept. Governments face challenging public policy issues of determining the costs and benefits,

deciding who should pay, ensuring technical capacity, and managing the risk of indirectly encouraging intentional release into the atmosphere.

27.121 Environment Canada should clearly articulate the federal government's position on the destruction of ozone-depleting substances and related equipment and products, including those held by federal departments. If destruction is supported, Environment Canada should commence development of the infrastructure required for implementation.

Department's response: Environment Canada agrees that a Canadian position needs to be developed on destruction of ODS, including conversion of ODS to non-toxic substances. The role of destruction in managing the surplus stocks is not just an issue for the federal government but also a national and international issue.

One of the tasks identified in the NAP is to develop a national strategy for the management, including destruction, of surplus ODS. Other tasks to be carried out will define the costs and benefits of Canada-wide use phase-outs for CFCs and halons and their impact on surplus stocks. The results of these studies, along with stakeholder consultations, will help determine the role of Environment Canada, provincial authorities and the different stakeholders in the management of surplus ODS in Canada and their ultimate disposal.

Discussions on the need for destruction of surplus ODS, as opposed to their redeployment, have started to take place under the Montreal Protocol. In this context, the federal government will need to articulate its position.

There is vagueness and uncertainty about the destruction of ODS — and a need to articulate the federal government's position.

Assessing the needs of developing countries

27.122 The complete, timely and full implementation of the *Montreal Protocol* by developing countries is in jeopardy. Senior officials from governments of several developed countries and from the "Implementing Agencies" under the Multilateral Fund (see Appendix B) expressed concern to us about whether the Multilateral Fund by itself would be sufficient to ensure the timely achievement of the *Montreal Protocol* objectives in developing countries.

27.123 Production of ODS in developing countries is growing, and a majority of them have indicated that they will have difficulty meeting their freeze obligations in 1999. In addition, a few countries with economies in transition are in default of their international obligations.

27.124 While financial assistance to developing countries is critical, they also require technical and regulatory capacity in order to manage ozone layer protection on a long-term basis. Implementing Agencies in particular support the critical need for transfer of developed country expertise in areas of science, technology and regulatory design and implementation.

Needs assessment lacking

27.125 In light of this, we had expected to find an identification and evaluation of additional opportunities for strengthening assistance to developing countries, including potential actions both within and outside of the Multilateral Fund. It is a matter of protecting our health and our past investment. However, we could find no evidence that Environment Canada or the Canadian International Development Agency (CIDA) had formally and explicitly analyzed the needs of developing countries in this regard, independent of reviews undertaken internationally. There was little evidence

that either organization has even considered the need to conduct such an assessment.

27.126 This was in sharp contrast to the awareness and actions we noted in other developed countries. Many have reacted to recent trends by implementing assistance initiatives that go "above and beyond" actions called for in the *Montreal Protocol*, including the mobilization of traditional official development assistance.

Establishing the balance between domestic and international actions

27.127 Program responsibilities within Environment Canada separate work related to international negotiations and assistance from domestic controls. reflecting for the most part historic organizational design and past priorities. The funds available for international and domestic use do not originate from the same source. Consultation and co-ordination do occur between these spheres of activity within the Department. However, we noted a lack of structured comparison of the relative effectiveness of potential domestic and international actions to balance effort between them. As a result, we are concerned that the total pool of available resources may not be optimized to provide maximum benefit to the protection of the ozone layer.

27.128 As Environment Canada develops its future plans related to the elimination of ODS and reduction of risk, it should ensure that available resources are directed to those activities that maximize benefits to ozone layer recovery. This necessarily involves consultation with affected stakeholders and exercising professional judgment but should also be supported by the application of science-based priority-setting tools and processes that provide for the comparison of the relative benefits and costs of available risk reduction opportunities.

Financial assistance to developing countries is critical but the transfer of expertise is also needed.

Department's response: Environment Canada acknowledges the need to be active both domestically and internationally. We have international financial obligations to the Multilateral Fund over which we have limited flexibility. In addition, there are also financial obligations related to our domestic programs: regulations implementation and enforcement, federal-provincial co-ordination, stakeholder information and consultation, etc. At the same time, we wish to ensure that Canada continues to be exemplary in reducing the environmental threat from ODS, working within our existing government structures. Environment Canada will undertake a more structured assessment of the relative effectiveness of its activities to determine where resources might be best deployed given existing constraints.

Conclusion

27.129 Global efforts to understand and protect the ozone layer have been under way for several decades. Through the *Montreal Protocol*, much has been accomplished and learned, although much remains to be done before success can be declared.

27.130 We believe these efforts are a demonstration of sustainable development in action, in both developed and developing countries. They are evidence that the environment and the economy can go hand in hand as the world attempts to solve a serious environmental threat.

27.131 Canada, through the leadership of Environment Canada and in collaboration with other federal government departments, provincial governments, industry and other stakeholders, has met and in some cases exceeded its obligations under the *Montreal Protocol*. Canadian achievements compare favourably with those of other countries, in both influencing and implementing the

international agenda. Canada has also made substantial progress on its domestic policy commitments.

27.132 A regulatory infrastructure under *CEPA* exists to achieve future *Montreal Protocol* requirements, although weaknesses in the enforcement regime have been noted.

27.133 Canada has also implemented regulatory and non-regulatory controls not required by the Montreal Protocol. Many of the commitments in the 1992 CCME National Action Plan have been met. Implementation of commitments made by the CCME in 1995 to strengthen Canada's program has been slow; several key issues, including additional measures to promote conversion of existing equipment and destroy surplus ODS, require a clear articulation of federal policy. We are concerned about the future ability to measure progress achieved in the revised National Action Plan, due to the lack of clear measurable objectives and a suitable measurement infrastructure.

27.134 Federal commitments to green government operations and to lead by example have not been supported by government-wide policy or operational direction on the management of ODS. We observed wide variations in the consistency of departmental ODS policies and strategies, as well as gaps in direction on the phase-out of uses, selection of acceptable alternatives and the destruction of ODS in federal operations.

27.135 Implementation of ODS management practices by federal departments has been mixed. While we observed some progressive facility-level practices, most departmental practices reflect the continued use and emission of CFCs and halons in order to maximize the economic life of equipment. The tracking of results achieved toward meeting established objectives is weak and is generally undertaken at the facility, not departmental, level.

27.136 Canada's implementation of the *Montreal Protocol* through *CEPA* has generally been developed on the basis of scientific consensus, stakeholder consultation and detailed socio-economic analysis. The information base has been developed at an international level and

supplemented by domestic analyses.

27.137 We believe that the effectiveness of future federal efforts could be strengthened through the application of science-based priority-setting tools and processes and a balance between potential domestic and international actions.



About the Audit

Objectives

There were four audit objectives:

- The Control of Ozone-Depleting Substances: To provide an assessment of progress to date in meeting international and domestic commitments and to assess whether strategies and practices are in place to meet commitments and measure progress in the future.
- Greening of Government: To determine the clarity and consistency of objectives regarding the use and phase-out of ozone-depleting substances within government operations and to assess the extent to which selected custodial departments have implemented strategies and actions and achieved results pursuant to established objectives.
- Ozone Policy Development and Implementation: To determine whether Canadian public policy on ozone layer protection has been developed and implemented on the basis of sound information.
- Lessons Learned: To identify "lessons learned" in the ozone layer protection experience.

Criteria

We expected that Environment Canada should have met all commitments related to the control of ozone-depleting substances (ODS) and established effective systems to measure and report on those programs. We expected that custodial departments should have designed and implemented management systems to control their own use of ODS, in accordance with government and departmental policy and contemporary management practices. We expected that policy should have been developed using sound scientific, socio-economic, technical and environmental information and analytical tools, in order to ensure that control actions will achieve maximum benefit for minimum cost.

Scope

The audit examined the international obligations contained in the *Montreal Protocol* and related decisions of the parties to the Protocol. It also included domestically established control programs and enforcement under *CEPA*. The audit also focussed on government-wide and departmental policy framework for ODS control as well as existence and implementation of strategies to enact policy. The use and integration of analytical tools and information in policy development and implementation as well as performance measurement practices were also considered.

The audit also examined the proposed "Federal Facilities Regulations", the Environment Canada initiative to improve the ozone layer protection program and the National Action Plan. Finally, our work included the identification of factors that have contributed to the success or failure of Canada's program and identified approaches used by other agencies or national governments in dealing with similar issues. The timeframe of the audit extended back to the early 1980s in order to obtain the proper historical perspective, but concentrated on regulatory activities since 1990.

Approach

The audit approach consisted of interviews and document review, including existing regulations and supporting documentation, compliance data, existing memoranda of understanding between Environment Canada and other federal departments, and any existing administrative or equivalency agreements with the provinces and/or territories. The audit was conducted primarily within Environment Canada but also included Foreign Affairs and International Trade Canada, Health Canada, Revenue Canada, Royal Canadian Mounted Police, Transport Canada, Fisheries and Oceans, Department of National Defence, Canadian International Development Agency, Public Works and Government Services Canada, Correctional Service Canada, the Treasury Board Secretariat and Agriculture and Agri-Food Canada. The audit also included interviews with selected provinces, industry and industry associations, other national governments, UN agencies, environmental interest groups and other stakeholders in order to compare Canadian practices.

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APPENDICES

Appendix A — The Montreal Protocol at a Glance

Key Features of the Montreal Protocol

* Control measures for ozone-depleting substances (ODS): "Parties" are required to eliminate the production and "consumption" of "controlled substances" according to binding targets and schedules. Controlled substances include chlorofluorocarbons (CFCs), halons, carbon tetrachloride, methyl chloroform, hydrochlorofluorocarbons (HCFCs), and methyl bromide. (Note: Under the *Montreal Protocol*, "consumption" does not mean "use"; rather, it is a formula for the net supply of ODS into a country). Different phase-out schedules exist for each class of ozone-depleting substances and for developed versus developing countries. Currently applicable phase-out dates are illustrated below.

Substance	Developed Countries	Developing Countries
CFC	January 1, 1996	January 1, 2010
Halons	January 1, 1994	January 1, 2010
Carbon Tetrachloride	January 1, 1996	January 1, 2010
Methyl Choroform	January 1, 1996	January 1, 2015
Hydrochlorfluorocarbons	January 1, 2030	January 1, 2040
Methyl Bromide	January 1, 2005 ¹	January 1, 2015 ¹

¹ These phase-out dates were agreed to by the Parties at 9th Meeting of the Parties, September 1997. These dates are generally subject to exemptions for approved "essential uses".

Source: United Nations Environment Program

- * Trade measures: "Parties" are required to ban imports and exports to "non-parties" to the *Montreal Protocol* of controlled substances and products containing controlled substances.
- * Special provisions for developing countries: The *Protocol* includes mutual but differentiated obligations for developed countries and developing countries. Developing countries are given a grace period (10 years or more) to comply with the control measures and are provided with financial assistance to accomplish phase-out through the Multilateral Fund for the Implementation of the *Montreal Protocol* (The Multilateral Fund).
- * Data reporting: Parties are required to submit data to the UNEP on their production, imports, exports, destruction and recycling of controlled substances yearly.
- * Exchange of information: Parties are required to share information on best technologies, alternatives to controlled substances, and public education, and to report on their activities every two years.
- * Non-compliance procedures: Procedures are established to encourage compliance by parties who fail to meet their obligations under the *Protocol*. These procedures are presently under review.
- * Assessment panels: The *Protocol* has established expert "assessment panels" on Atmospheric Science, Environmental Effects, and Technology and Economics in order to provide state-of-the-art information and advice.
- * Revisions: The *Protocol* has built-in provisions for making changes to the control regime. Since 1987, the *Protocol* has been amended twice, in 1990 adding carbon tetrachloride and methyl chloroform and in 1992 adding hydrochlorofluorocarbons (HCFCs) and methyl bromide.

Appendix B — The Multilateral Fund at a Glance

Key Features of the Multilateral Fund

- * The Parties to the *Montreal Protocol* established the "Multilateral Fund for the Implementation of the *Montreal Protocol*" on an interim basis in 1990. Its purpose was to provide financial assistance to qualified developing countries who are parties to the *Montreal Protocol* to assist them in implementing their control obligations. The Fund was established in its final form on 1 January, 1993.
- * The Fund is governed by an **Executive Committee**, made up of seven developing and seven developed countries. To obtain assistance from the Multilateral Fund, a developing country will normally work with one of the designated **Implementing Agencies** The United Nations Development Program (UNDP), the United Nations Environment Program (UNEP), the United Nations Industrial Development Organization (UNIDO) or the World Bank to assess its industrial situation and identify specific projects for approval. A full-time **Secretariat** located in Montreal provides support to the Executive Committee and reviews project proposals and work plans submitted by the Implementing Agencies. Payments from the Multilateral Fund are subject to strict eligibility criteria and require approval of the Executive Committee.
- * The amount of replenishment of the Fund is negotiated by the Parties on a triennial basis, based on expert advice received from the Secretariat, the Implementing Agencies, and the Technology and Economic Assessment Panel. For 1991–1993, the Fund was US \$240 million upon the signing of the *Montreal Protocol* by India and China. A budget of US \$510 million (including a carry-over of US \$55 million from the 1990–1993 period) was adopted to cover the 1994–1996 period. For the period 1997–1999, the level of funding as been set at US \$540 million (which includes a carry-over of US \$74 million from 1994–96). Contributions from individual donor countries are set according to percentages contained in the United Nations scale of assessments.
- * By design, the Multilateral Fund is intended to meet the agreed "incremental costs" of ODS phase-out, that is, in principle the increased costs to developing countries of using ozone-friendly technologies.
- * Provisions of the Fund allow a donor country to make up to 20 percent of its assessed contribution in the form of "bilateral assistance". This allows a donor country to form a partnership with an eligible recipient country and implement projects that, subject to eligibility criteria and approval of the Executive Committee, match a donor country's capability with the needs of a recipient country.
- * As of June 1997 over 1,800 projects had been approved by the Executive Committee, including 800 investment projects, for a total of US \$618 million. This level of funding is expected to result in the permanent, annual phase-out of 81,000 ODP tonnes. These projects cover all industrial sectors and the Multilateral Fund has effectively created global business opportunities for consultants and technology providers. The majority of investment projects are tendered on a competitive basis through the UN system.



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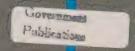






Chapter 28

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Report of the Auditor General of Canada to the House of Commons

Chapter 28

Fisheries and Oceans Canada – Pacific Salmon: Sustainability of the Resource Base

December 1997



Report of the Auditor General of Canada to the House of Commons

Chapter 28

Fisheries and Oceans Canada – Pacific Salmon: Sustainability of the Resource Base

December 1997

This December 1997 Report comprises 16 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 1997 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.



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Chapter 28

Fisheries and Oceans Canada

Pacific Salmon: Sustainability of the Resource Base

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Fisheries and Oceans Canada

Pacific Salmon: Sustainability of the Resource Base

Main Points

- 28.1 Canada's ability to sustain the Pacific salmon resource at the present level and diversity is questionable given the various factors influencing salmon survival, many of which are beyond its control. While Fisheries and Oceans has built up major salmon stocks, others are declining and many are considered threatened. There is evidence that habitat loss is contributing to these declines. However, no overall status report on salmon habitat is available to assess the impact of habitat loss on the resource.
- **28.2** Fisheries and Oceans has a strong mandate in the *Fisheries Act* to protect salmon and their habitat. However, due to the division of environmental powers under the *Constitution Act*, the support and co-operation of the Province of British Columbia (B.C.) and municipalities are prerequisites for sustainability of the resource.
- 28.3 The Department's Habitat Policy (1986) promotes both sustainability and genetic diversity. The Policy balances proactive elements (land use planning, integrated resource management and development of guidelines) and reactive elements (project review/approval, compliance monitoring and enforcement). The Department has tended to focus more on the reactive elements, but without sufficient emphasis on monitoring and follow-up.
- 28.4 Habitat management requires improved co-ordination within the Department and the increased involvement of external groups, including provincial and municipal governments, stakeholders and the public, under agreements that include accountability provisions, where appropriate. The Department's overall responsibility for habitat requires clear accountability to maintain control of the process and depends especially on B.C. being held accountable for its own habitat responsibilities.
- 28.5 The opportunity now exists for Fisheries and Oceans to further develop and strengthen its relationship with the Province following the signing in April 1997 of the new Canada–B.C. Agreement on the Management of Pacific Salmon Fishery Issues. The Agreement is intended to revisit existing areas of intergovernmental co-ordination covered under the 1985 General Fisheries Agreement and to examine other areas for co-operation. B.C. has released a discussion paper in anticipation of future negotiations. The Department's position on habitat management is expected to be clarified to prepare it for these negotiations.



Introduction

Importance of salmon habitat

28.6 For thousands of years, Pacific salmon have been a vital part of life on the West coast of Canada, and the six species of salmon in British Columbia — sockeye, pink, chum, chinook, coho and steelhead — continue to generate a wide range of economic, social and cultural benefits.

28.7 Salmon fisheries contribute significantly to local, provincial and national economies. Based on information obtained from Fisheries and Oceans, the commercial fishery, which takes all species, had an average landed value of \$265 million per year over the period 1986 to 1995. Results of the latest recreational fishing survey indicate that direct expenditures alone by anglers in B.C. tidal waters exceeded \$228 million in 1990, with the overall economic impact being considerably larger. This fishery is focussed essentially on three salmon species — chinook, coho and steelhead.

28.8 Salmon are a primary food source for the Aboriginal people and fisheries are a mainstay of their economy. Protecting these fisheries and the resource base on which they depend is therefore an important step in preserving this unique part of Canada's heritage.

28.9 The commercial fishery takes over 90 percent of the annual catch, with the recreational and Aboriginal fisheries sharing the remainder. The latter fisheries are legally protected and are thus a first management priority after conservation needs have been met.

28.10 Although trends in salmon numbers are influenced by catch, as well as marine and freshwater productivity, a healthy habitat is a fundamental requirement for sustaining salmon stocks. Furthermore, the habitat provides food and shelter for other desirable resident and migratory aquatic and terrestrial wildlife,

while providing water for human consumption and other uses. The challenge for Canada is how to protect salmon habitat in the context of sustainable development, which seeks to balance economic development with environmental protection.

Responding to change

28.11 Since the introduction of the Green Plan (1990), the federal government has been adjusting its programs to reflect its international commitments to sustainable development and biodiversity. By December 1997, all federal departments must table sustainable development strategies and action plans in Parliament. Recently, Fisheries and Oceans has been the subject of a number of reviews (both internal and external) that have resulted in recommendations for changes in the way it manages salmon habitat.

28.12 This push for change, to which the Department is responding, has also been prompted by internal budget cuts, the Department's amalgamation with the Canadian Coast Guard and the new *Oceans Act*.

Focus of the audit

28.13 In view of the complexity of issues associated with the conservation and protection of the salmon resource and its habitat and the management of fisheries, our audit of the Pacific salmon fishery has been divided into two phases. This report addresses the sustainability of the salmon resource base, with an emphasis on the conservation and protection of habitat; the second phase will address the sustainability of the salmon fisheries, including fisheries management and the allocation of catch, and will be reported in the spring of 1999. In both cases, our examination is confined to the five species of salmon that are managed by Fisheries and Oceans namely, sockeye, pink, chum, chinook and coho; the sixth, steelhead, is under

Salmon have a cultural and economic importance to Canadians.

A healthy habitat is fundamental for sustaining salmon stocks.

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provincial control. Further details on the audit objective and criteria are found at the end of the chapter in the section **About the Audit**. A glossary of technical terms as used in the text is in Exhibit 28.1.

Observations and Recommendations

Legislation and Policy

The Department has a strong mandate to protect salmon and habitat

28.14 Under the Constitution Act (1982), the federal government has legislative responsibility for Canada's fisheries. The Minister of Fisheries and Oceans has been assigned responsibility for sea coast and inland fisheries, marine science and administration of the Fisheries Act. A key component of this responsibility is the protection of fish and fish habitat from disruptive and destructive activities as described in section 35. Projects with potential impacts on fish habitat are reviewed to determine if they can proceed and, if so, under what terms and conditions. In making these determinations, the Department is guided

Federal and provincial co-operation is essential to protect habitat.

Exhibit 28.1
Explanation of Key Terms As Used in the Text

Stocks	Individual populations of a species that spawn independently in distinct areas; for example, Fraser River sockeye spawning in the Adams and Chilko Rivers are separate stocks of sockeye salmon.
Sustainable Development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
Genetic Diversity	The "pool" of inherited physical and biological characteristics contained within individual stocks that collectively form a species.
Habitat Policy Objective of "Net Gain"	The Habitat Policy's guiding principle is to achieve a net gain in the natural productive capacity of fish habitat. As a first step in achieving this overall goal, the Habitat Policy provides that there be no net loss in productive capacity. Although the Habitat Policy acknowledges that there will be some loss of habitat at times, it seeks to achieve an overall net gain by striving to conserve existing habitat, restoring damaged habitat, and, where possible, developing new habitat.

by its Policy for the Management of Fish Habitat (1986) (the Habitat Policy) and the Habitat Conservation and Protection Guidelines (1994) derived from it. Details on the specific habitat protection provisions in the Act are given in Exhibit 28.2.

28.15 The Habitat Policy's objective is "net gain" — that is, increasing the amount of habitat available to salmon by conserving existing habitat, restoring damaged habitat and, where possible, developing new habitat. In determining the level of protection afforded to habitat at a given site, the Policy indicates that its potential contribution to those stocks on which communities rely is especially important. The Department is therefore guided by its first operating principle: conservation of the fisheries resource is paramount.

The provincial government's support is essential

28.16 Canada has made special arrangements with British Columbia concerning day-to-day management of the freshwater fisheries of the province and that of the migratory steelhead. While the Fisheries Act applies across Canada, provincial legislation controls land and water use, which also affects fish habitat in freshwater. The B.C. Ministry of Environment, Lands and Parks has conservation officers stationed throughout the province and they assist Fisheries and Oceans in enforcing the Fisheries Act, as well as provincial legislation. The continuing co-operation of the two levels of government is therefore essential if freshwater salmon habitat is to be protected.

Conflicting Evidence on Status of Resource Base

28.17 The total numbers of all species of salmon returning to B.C. waters show a positive trend from the early 1970s through 1993, reaching a peak of over 70 million fish in 1989. The annual

returns are dominated by production originating from the Fraser and the Skeena Rivers, the two largest river systems on the coast of B.C. The large numbers of sockeye, pink and chum produced in these two rivers are the result, in part, of the enhancement of major stocks.

28.18 While there appears to be little reason for concern about the overall numbers of these three species, the numbers of chinook and coho salmon returning to B.C. waters to spawn tend to be low at present.

28.19 Those stocks that spawn within tributaries of the Strait of Georgia may be declining, with serious problems emerging for some chinook and coho stocks. Chums are considered to be in a sustainable state.

28.20 When the status of individual stocks of salmon that arrive on their spawning grounds is examined in detail, there is evidence that many stocks are under stress. A recent report based primarily on departmental data concluded that, of the 4,906 stocks of salmon in B.C. and the Yukon, on which there was sufficient information to assess their status, 600 are at high risk, 63 at moderate risk and 57 of special concern.

Limited information precludes a complete assessment

28.21 The total number of salmon stocks identified in the above-noted study were 8,171. For 3,265 (40 percent), there were insufficient data on which to determine their status. Due to their small size, these stocks are not of great

The number of salmon returning to B.C. waters shows a positive trend.

Many individual stocks are under stress.

Exhibit 28.2

The Legislative Mandate

The *Fisheries Act* was amended in 1977 to include the habitat protection provisions that give the Minister of Fisheries and Oceans the following powers:

Sections 20,

21 and 22:

The authority to require the construction, maintenance and operation of fish passage facilities at obstruction in rivers; to require financial support for fish hatchery establishments constructed and operated to maintain runs of migratory fish; to remove unused obstructions to fish passage; and to require a sufficient flow of water at all times below an obstruction for the safety of fish and the flooding of spawning grounds.

Section 30:

The authority to require the installation and maintenance of screens or guards to prevent the passage of fish into water intakes, ditches, canals and channels.

Section 32:

The authority to prohibit the destruction of fish by any means other than fishing.

Section 35(2):

The authority to authorize the harmful alteration, disruption or destruction of fish habitat and the conditions

under which this may occur.

Section 37:

Comprehensive powers to protect fish and fish habitat from the discharge of deleterious substances; to request plans for developments that may affect fish; to develop regulations and to modify, restrict or prohibit certain works or undertakings.

Section 37(2):

The authority to modify, restrict or prohibit any work or undertaking that is likely to result in the harmful alteration, disruption or destruction of fish habitat, a term that is defined in subsection 34(1) of the Act.

Other Sections: Definitions, penalties and additional powers are provided in sections 34(1), 35, 36, 40, and 43, among others.

Fishery regulations specific to provinces and territories are made pursuant to the *Fisheries Act*, and some of these contain habitat protection sections.

The definition of fish habitat is: "spawning grounds and nursery, rearing, food supply and migration areas on which fish depend directly or indirectly in order to carry out their life processes."

The Fisheries Act provides for regulations respecting the conservation and protection of fish. In this respect, it covers all stocks and therefore supports genetic diversity.

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commercial importance now, but may be important for local sport and Aboriginal fisheries in the future. They are also needed to maintain genetic diversity. At the present level of stock assessment, it may be some time before the status of these stocks is determined — perhaps too late to take remedial action.

28.22 The Department's Pacific Stock Assessment Review Committee (PSARC) process is one where scientific advice on stock status, available catch, methodologies and other technical matters are rigorously reviewed, often involving external reviewers. The PSARC subcommittee dealing with data and data quality has proposed that expenditures be made to improve the nature and quality of the databases. It is hoped that the Canada—B.C. Agreement on the

Management of Pacific Salmon Fishery Issues (1997), which provides for provincial representation on PSARC, will be able to address the problem of data quality successfully.

The physical habitat base is being eroded

28.23 While the overall number of salmon returning to B.C. waters is increasing and some major stocks are rebuilding to higher and sometimes record numbers, the numbers and strengths of some individual stocks are declining and are cause for concern. The causes for these declines are complex and include natural processes, such as cyclic changes in ocean productivity and marine survival, alterations of freshwater productivity, both natural and man-made, and human

Examples of Estuary Development

(see paragraph 28.23)





Extensive development - major impact on fish habitat



Controlled development – minimum impact on fish habitat

Photos courtesy of Fisheries and Oceans

influences, such as fishing and habitat alteration. Habitat loss is a major problem and, in fact, the Department estimates that loss of habitat probably accounts for 20 to 30 percent of the disappearance of small stocks of salmon in B.C. For example, the development of the City of Vancouver has resulted in 70 percent of the Fraser River estuary's original wetland system being altered, mostly by diking and drainage projects, and approximately 50 percent of the estuary's delta habitat being lost to development since 1880. Such changes have resulted in the documented destruction of streams and the subsequent loss of salmon.

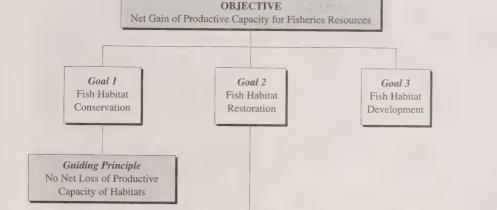
28.24 In seeking to achieve a "net gain" of habitat, Fisheries and Oceans first seeks to conserve existing habitat (see Exhibit 28.3) and obtain compensation for damaged habitat under the guiding principle of "no net loss". However,

departmental reports on projects indicate that on balance habitat is being lost.

28.25 Since the introduction of the Habitat Policy in 1986, Fisheries and Oceans has not prepared an overview report on the status of fish habitat conservation in Canada. While it does report annually to Parliament on the administration and enforcement of the fish habitat protection and pollution prevention provisions of the *Fisheries Act*, pursuant to section 42.1 of the Act, there is no mandated responsibility to report on the Department's performance in meeting the objectives and goals of the Habitat Policy.

28.26 The overall objective of the Habitat Policy is to achieve a "net gain" in the productive capacity of fish habitat. Because productive capacity is difficult to measure in practice, the Department relies on surrogate measures of physical parameters (for example, loss or reduction of a salt marsh or gravel bed) or biological

Reports indicate that habitat is being lost.



Implementation Strategies

INTEGRATED PLANNING FOR FISH HABITAT MANAGEMENT

- 1. Protection and Compliance
- 2. Integrated Resource Planning
- 3. Research
- 4. Public Consultation
- 5. Public Information and Education
- 6. Co-operative Action
- 7. Improvement
- 8. Monitoring

PROCEDURES TO APPLY THE NO NET LOSS GUIDING PRINCIPLE

Exhibit 28.3

Policy Framework for Fish Habitat Management

Source: Fisheries and Oceans. Policy for the Management of Fish Habitat, Ottawa, October 7, 1986, Minister of Supply & Services Canada, p. 13 Fisheries and Oceans Canada – Pacific Salmon: Sustainability of the Resource Base

A focus on the protection of existing habitat is warranted.

Urbanization is seriously endangering salmon habitat.

parameters (for example, loss or reduction of food supply) to assess gains and losses of fish habitat. In 1991, in reporting on the Department's implementation of the Habitat Policy, this Office noted that the Department had not yet developed an acceptable, standardized measure of habitat productivity. However, it has since increased its scientific effort in this area.

28.27 The Habitat Policy's first goal is conservation, followed by restoration and development. Given this and the difficulties of measuring habitat productivity, a focus on the protection of existing habitat is warranted. The Department's Internal Audit of 1993–94 confirmed that this approach was being taken, in that nationally the Department spent only 20 percent of its budget on "net gain" with the remaining 80 percent being directed toward the achievement of "no net loss".

28.28 However, the Department has indicated that current expenditures in the Pacific Region show an almost equal allocation of funds to these two areas. It is unclear whether this is a change in priorities or a reflection of the perceived importance of habitat restoration in B.C. Regular reporting to Parliament on the status of habitat would provide the opportunity for both a review of policy implementation in this regard and new direction to the Department should it be deemed advisable.

Threats to habitat are widespread and increasing

28.29 There are many reasons for loss of habitat given in the scientific literature. Fisheries scientists cite, for example, the direct and indirect effects of forestry operations; impoundments for hydroelectric development and domestic water supplies; mining, agriculture, road and rail construction; and sewage, industrial effluents and urbanization. These activities all have impacts on the life cycle of salmon, although the

significance of these impacts on habitat varies over time (see Exhibit 28.4). For example, while forestry practices have improved and their damage to habitat has been reduced in B.C., the impact of urbanization continues to grow and urban streams are now considered to be seriously endangered.

28.30 Recent federal statistics show that population growth rates have exceeded 20 percent in the Greater Vancouver area and on the southeast coast of Vancouver Island since 1986. The Lower Mainland population is expected to grow from 1.7 million to at least 3 million by the year 2021. As these areas are significant for salmon production, especially coho, pressure on stocks from urbanization and related infrastructure development is expected to increase. The protection of fish habitat in urban areas may be the Department's most serious challenge in its efforts to maintain the genetic diversity of salmon and particularly coho.

Information management needs improvement

The senior governments (federal and provincial) are responsible for fisheries resource and habitat inventories in B.C., and progress has been made in this area by the collaboration of the Department and the Province in the Fish Habitat Inventory and Information Program over the last 10 years. Furthermore, there are many promising mapping tools emerging that will integrate renewable and non-renewable resources. and thereby generate more useful land use inventories for the protection of fish habitat. However, these tools are not yet readily available for habitat biologists or technicians, who rely primarily on the Stream Information Summary System, on published maps and reports relating to the area in question, and on their personal files.

28.32 New information is continually being collected by Fisheries and Oceans

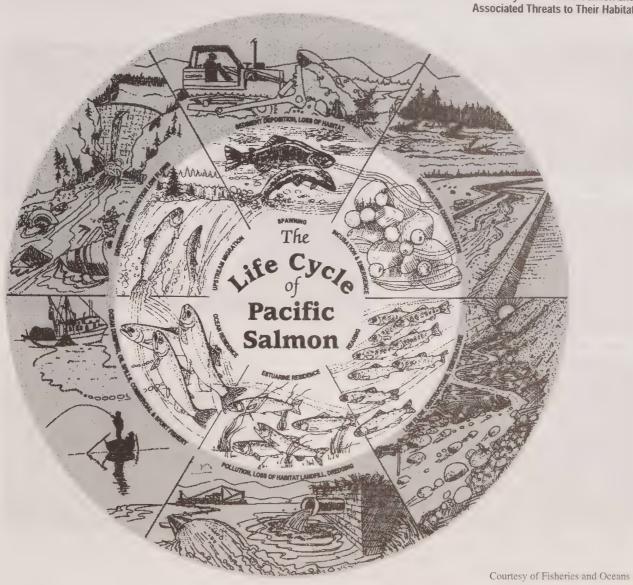
from on-site inspections at the time of project review. Such information is only now being incorporated into a habitat database, the Habitat Referral Tracking System (HRTS). This system is in place nationally and is intended to be comprehensive in its coverage of proposed and approved projects when fully operational. Although HRTS in the Pacific Region is essentially a recording system for projects covered under the Canadian

Environmental Assessment Act, it could become a key source of data for both planning and reporting purposes in the future.

28.33 The new data management initiatives are bringing all aspects of land use together to facilitate integrated resource management on a regional or watershed basis. But these various systems are not yet co-ordinated. It is difficult to

Exhibit 28.4

The Life Cycle of Pacific Salmon and **Associated Threats to Their Habitat**



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Examples of Habitat Damage/Alteration Due to Development

(see paragraph 28.29)



Boat ramp and marina construction (foreshore)



Highway and pedestrian bridge construction (river and estuary)



Log booming area (estuary)



Logging to stream edge



Stream channelization, logging road and bridge



Stream bank erosion due to cattle grazing



Stream channel changes due to upstream logging effects

Photos courtesy of Fisheries and Oceans



Stream vegetation removal due to urban development

find mapping techniques that can accommodate planners at both the regional (overview) and community (individual stream) levels, although progress is being made to rectify this. Current mapping projects often miss small coho streams in urban areas, which is a concern for both Fisheries and Oceans field biologists and community members involved in habitat work, especially where no detailed stream maps are available. The situation is further complicated by the current use of a variety of systems, some political (for example, county, municipality) and some geographic, which often do not coincide with aquatic ecosystems such as river basins.

Information is not always accessible to managers

28.34 Although information is available in various formats, there is a problem of accessibility for both departmental personnel and external interest groups. It is time-consuming and difficult to locate information that may be in electronic format, on maps, in various publications and in files. The Department, in co-operation with the Province, is making an effort to co-ordinate information access, but the activity does not have a high priority. The Department's recent transfer of information to the Internet may be a step in the right direction.

28.35 Information comes in many forms and with differing degrees of reliability. The reliability will determine its standing in the scientific community. Although scientifically acceptable data are essential for determining the status of salmon stocks, an indication of the presence or absence of salmon in a stream may be useful for habitat planning purposes in the absence of more accurate data. While it would be best to collect such information according to an accepted set of standards, in times when resources are limited every piece of information is helpful.

28.36 The Department should give the collection and management of information on Pacific salmon stocks and habitat a high priority to meet both the needs of resource managers in the field and any reporting requirements on the status of the resource.

Department's response: The collection and management of information on Pacific salmon stocks and habitat will continue to be given high priority by the Department.

Achieving Sustainability and Protecting Genetic Diversity

Salmon sustainability and genetic diversity depend on habitat conservation and protection

28.37 In order to ensure sustainability, salmon must have access to sufficient and suitable freshwater, estuarine and marine habitat. Freshwater habitat is needed for spawning, the hatching of eggs and the development of fry, the feeding and growth of young salmon and the migration of juveniles to and adults from the ocean. Unfortunately, habitat used by salmon is under stress and in many instances may have already been irreversibly altered from its former natural state.

The situation is becoming more serious as new threats to salmon abundance emerge. For example, there is growing evidence that abrupt shifts in the productivity of salmon stocks appear to be linked to sudden changes in the marine climate, possibly influenced by global climate change. Changes in climate are expected to cause local effects such as elevated water temperatures and variations in the timing and volume of the seasonal flow patterns of rivers. These changes in habitat conditions could have a significant impact on specific salmon stocks in the Fraser River watershed, resulting in their reduction or eventual loss.

28.39 Protecting the full complement of stocks will help to minimize the impact of

Relevant habitat information is not always readily available.

Habitat protection ensures stock survival.

Examples of Natural Salmon Habitat

(see paragraph 28.37)



Coastal inlet (feeding)



River (rearing)



Stream (spawning)



Estuary (migratory route, feeding)



Stream (spawning, rearing)



Stream (spawning, rearing)

Photos courtesy of Fisheries and Oceans such changes, as there is no way of determining ahead of time which stocks will prove to be more adaptable to habitat changes. It also offers general protection to the salmon resource in that the more stocks there are producing juvenile salmon, the greater will be the total numbers entering the ocean. The large numbers, which will be widely dispersed along the coast, may reduce the impact of predation from such species as mackerel and hake.

The Department's Habitat Policy allows for sustainable development and protects genetic diversity

28.40 The objective of the Habitat Policy is to achieve a "net gain" of habitat, thereby ensuring adequate habitat to sustain current stocks of fish. The Policy promotes the integration of habitat needs with fish management objectives through the development of fish habitat/stock production plans for specified geographic areas such as watersheds or components of watersheds. This approach facilitates the incorporation of fish habitat priorities into the broader picture of integrated resource planning, usually initiated at a regional level. The emphasis is on the relationship between salmon stocks and their habitat, and the promotion of planning for their continued productivity within the framework of integrated resource use. The Policy recognizes that habitat conservation will be applied, if necessary, on a stock-specific basis, especially where stocks support community fisheries. This practice supports genetic diversity.

Sustainability must be implemented at the stock level to optimize genetic diversity

28.41 Sustainability of the salmon resource can be achieved in two ways: by concentrating on the protection of, and production from, only the dominant stocks regardless of species, leaving the weaker stocks to survive as best they can; or by

focussing on the survival of and production from all stocks, both the strong and weak of all species. By concentrating on the survival of individual stocks, genetic diversity is achieved at the species level.

28.42 While in the past Fisheries and Oceans has managed salmon using both approaches, it has tended to concentrate its efforts on the major stocks. Consequently, there is a lack of assessment data on many of the smaller stocks currently of minor or no economic importance. However, given the complexity and number of emerging environmental and biological problems that are impacting on the salmon resource, a more prudent approach to habitat management is warranted. The greater the number of stocks protected, the stronger the genetic diversity within species, which, in turn, provides insurance against future major catastrophes such as global climate change.

28.43 Fisheries and Oceans should clarify the extent to which it intends to apply sustainability and genetic diversity practices to the management of individual salmon stocks and their habitats.

Department's response: Fisheries and Oceans agrees to provide clarification on how we intend to apply the concept of sustainability and genetic diversity. The Department will continue to apply the Policy for the Management of Fish Habitat to the habitat of B.C. salmon stocks.

28.44 Fisheries and Oceans should develop more explicit operational objectives and targets to address sustainability and genetic diversity of salmon stocks for inclusion in fishing plans. The linkage between harvest management and fish production, including enhancement as well as habitat protection, needs to be strengthened.

Genetic diversity provides insurance against future catastrophes.

Department's response: The linkage between harvest management and fish production, including enhancement as well as habitat protection, will be strengthened further.

Project Referral System

The project referral system is the primary tool being used to conserve habitat

28.45 The Habitat Policy establishes the project referral system, a six-step procedure for project review to prevent the loss of fish habitat. All projects referred to Fisheries and Oceans are reviewed to determine whether changes to fish habitat are likely to occur if the project proceeds as proposed. Habitat managers make recommendations to project proponents to alter project designs if habitat is likely to be harmed. If this cannot be avoided, a Fisheries Act authorization must be issued, thereby triggering a review under the Canadian Environmental Assessment Act (CEAA) irrespective of the size of the project.

28.46 Land, river and marine foreshore development projects are "referred" by individuals, companies and agencies (federal and provincial) to both the Department and the B.C. Ministry. The potential impacts on fish and fish habitat are determined by departmental and ministry staff based on habitat function, productivity, uniqueness and sensitivity.

28.47 The number of habitat referrals in the Pacific Region has been estimated at 15,000 to 25,000 annually. Although the Department, through the referral process, probably receives the majority of these referrals, we were unable to determine a percentage. These referrals come either directly from proponents or from other provincial and federal agencies. Varying informal arrangements have been made throughout B.C. to deal with the balance of these referrals. The two levels of government have developed, individually

and jointly, land development and stream stewardship guidelines, as well as documented procedures for stream-related works, such as dredging and culvert installation, to help proponents plan habitat-friendly projects and thereby reduce the workload of project review and assessment. To this end, the two governments collaborated, for example, on the development of the B.C. Forest Practices Code.

Referrals range from telephone 28.48 calls for information to major projects that may involve many hours of work. The Department's Habitat Referral Tracking System provides up-to-date comprehensive data on referrals for the whole province. It could also serve as a statistical database to assist the Department in evaluating its success in meeting the "no net loss" principle. This is one of the purposes of the documentation collected as part of the referral process, according to the Department's Habitat Conservation and Protection Guidelines.

Planning is not receiving the emphasis it deserves

28.49 The Habitat Policy, introduced in 1986, established a proactive framework for the management of fish habitat based on integrated resource planning, within which the referral process is a contributing, but not the dominant, component. However, there appeared to be a change in the Department's strategic approach to habitat conservation and protection with the introduction of the Habitat Conservation and Protection Guidelines in 1994. The Habitat Conservation and Protection Guidelines, while focussing on the project review process, state that staff are "encouraged", rather than instructed, to enter into planning initiatives whenever possible. The time constraints imposed by the planning process, which often requires evening or weekend meetings if the public is to be accommodated, may have further discouraged extensive participation in

The Department focusses on the referral system to protect habitat.

planning initiatives at the community level.

The referral process results in some habitat loss

28.50 All projects require an authorization if habitat is to be altered. disrupted or destroyed. If this can be avoided by outlining appropriate conditions, such as the timing of construction or location of a sea wall or breakwater to mitigate the impact on habitat, a "Letter of Advice" is issued to the proponent. The Letter states, however. that it does not constitute an approval under section 35(2) of the Fisheries Act for the harmful alteration, disruption or destruction of fish habitat. There is seldom a follow-up visit by a departmental official to ensure compliance even though projects of this type can, and often do, result in minor alterations to fish habitat.

28.51 An accumulation of small habitat losses could result in a significant impact; indeed, such losses are probably the source of the slow net loss of habitat that is occurring. However, there was no information on such cumulative impacts located in the files; nor was there any indication that the Department had conducted periodic assessments on a regional or watershed basis to ascertain whether such cumulative impacts are occurring.

Insufficient attention is given to monitoring and follow-up

28.52 Habitat monitoring is the eighth strategy listed in the Habitat Policy. It requires the Department to monitor the effects on habitat of proposed actions, both during and, for a limited period, after development. In this way, the effectiveness of prescribed conditions of approval, intended to conserve fish habitats, is evaluated and new knowledge acquired. However, without serious attention being paid to this strategy, the

long-term conservation of habitat is questionable; the cost/benefit of decisions made and work done is difficult, if not impossible, to assess; and the opportunity to apply lessons learned to increase efficiency and effectiveness is lost.

28.53 The Department's 1993–94 Internal Audit of the Habitat Management Program recognized the Pacific Region's lack of attention to monitoring; however, there was no evidence to suggest that the Department has since corrected this deficiency to any great extent.

There are two important aspects to monitoring: the monitoring of compliance with terms and conditions attached to the approval to proceed; and follow-up at a later date to assess the effectiveness of those terms and conditions. The Department does carry out some compliance monitoring, but this is limited to about 10 percent for small projects involving mitigative measures. This is not done according to any structured process, but merely when convenient due to workload. For larger projects requiring a section 35(2) authorization, compliance monitoring and reporting are mandatory for the proponent, together with post-project monitoring if deemed necessary by the Department.

There has been some follow-up activity to assess the long-term effects of habitat alteration. The Department has collaborated with the B.C. ministries of Environment and Forests, industry, universities and First Nations to assess the long-term effects of logging practices on salmon habitat, under the auspices of the Department's Science Strategic Research Program. There have also been a few investigations by consultants who were hired to revisit sites for large-scale projects where habitats were altered, for example, the Coquihalla highway and Jones Creek. Those investigations showed that natural flood conditions could completely destroy certain in-stream structures, raising questions about the effectiveness of prescribed compensation

Accumulation of small habitat losses could result in a significant impact.

Follow-ups to inspect projects are infrequent.

Barriers to communication still exist.

The use of internal and external partnerships is important for habitat protection.

The Salmonid
Enhancement Program
is contributing to
habitat protection.

projects over time and the importance of protecting existing habitat.

28.56 Fisheries and Oceans should increase its level of participation in regional and community-based planning initiatives.

28.57 Fisheries and Oceans should work with the Province of British Columbia to improve efficiencies in the referral system, subject to an appropriate accountability framework being put in place to satisfy the Department's national mandate for habitat protection.

28.58 In implementing the referral process, Fisheries and Oceans should devote more time and effort to compliance monitoring and follow-up in order to assess the effects of its habitat management decisions and its performance toward the achievement of "no net loss" of habitat.

(See paragraph 29.93 for Department's response.)

Putting "Partnerships" to Better Use

In the delivery of its habitat conservation and protection program, the Department relies on the support of and input from a number of internal and external groups. Without their help, the Department would be hard pressed to deliver its mandate. If the Department is to implement a balanced approach to habitat management, comprising both proactive (planning) and reactive (referral process) elements, it needs more involvement from these groups. Co-ordination of this effort under departmental leadership and within a strategic framework is required to ensure that all are working toward a common objective.

Internal co-ordination is improving but problems still exist

In order to manage fish habitat within the context of sustainability, there needs to be good internal communication and co-operation between fisheries management and habitat management, between habitat management and habitat science and between habitat management and habitat enforcement. The Department's recent amalgamation of the Salmonid Enhancement and Habitat Management Programs to create the Habitat and Enhancement Branch has improved the situation, but more needs to be done. In discussions with staff, it was apparent that barriers to communication still exist, in spite of efforts to bring the groups together in workshops and other forums. Such barriers contribute to misunderstandings and inefficiency.

28.61 The 1993-94 Peer Review of Habitat Science, conducted as a component of the Internal Audit of the Habitat Management Program, stated that the existing organizational structure is not conducive to integrated planning and analysis in the activity of habitat science research, and even tends to exclude habitat management as a primary client and recipient of this research. More generally, the Review recognized that communication across branches, and within and outside the Science Branch, was not commonplace. Since this study was completed, changes have been made. The management team concept has been endorsed with area managers sitting on the Science Executive Committee, which plays a key role in the development of operational priorities for the science program.

The Salmonid Enhancement Program (SEP) can support genetic diversity and promote proactive habitat management

28.62 The Salmonid Enhancement Program (SEP) has been operating since 1977 and has contributed to overall salmon production in B.C.

Enhancement is used to supplement wild stock production and to maintain or create fisheries. While stock restoration has been promoted by the construction of fishways and stream improvements, the major thrust has been through the construction of hatcheries and spawning channels. However, a significant component of the SEP funding also contributes to habitat protection.

28.63 SEP can lead to the maintenance of or an increase in genetic diversity by diverting fishing effort away from the less productive or threatened wild stocks and toward the more productive enhanced stocks. Future activities in this area could concentrate on small enhancement projects using mobile facilities that can respond quickly to provide temporary relief to threatened stocks, especially during periods of low ocean productivity, and thereby contribute to the rebuilding of stocks and the protection of genetic diversity.

Fisheries and Oceans has made a contribution to habitat protection through its public education and involvement programs, both unilaterally and bilaterally with the B.C. government, using funds from the Green Plan and SEP. For example, it is hard to find a river or stream and associated community in the lower Georgia Strait that have not been affected by SEP. An educational package, highly regarded among educators, is being used in over 200 schools. As of 1995, SEP had put in place 286 small enhancement projects, some stream rehabilitation, side channel improvements and small hatcheries. An estimated 236,000 people had been involved in these activities since SEP began. Furthermore, a "Streamkeepers" public involvement initiative is in place and a manual on stream rehabilitation has been produced.

28.65 SEP is therefore making both a direct contribution to habitat management and an indirect one by sensitizing citizens to the importance of salmon and salmon

habitat. This public education initiative will help to bring to the community planning table a more informed public that is aware of the need to protect environmentally sensitive areas and ready to impress on local politicians the importance of such action to the community, the region and the province. Future protection of fish habitat in B.C. will require the involvement of a more informed public. Continued support for this aspect of SEP is therefore essential to conserve and protect salmon habitat in urban areas, where coho in particular are at risk.

More community involvement in planning is needed

Under the Fraser River Action 28.66 Plan (FRAP) and the Habitat Action Plan. several watershed committees have been put in place to promote local decision making and involve stakeholders and the communities in salmon resource issues. Examples include the Ouesnel River Watershed Alliance, Salmon River Watershed Roundtable, and the Nicola Watershed Community Round Table. These groups are working well together, according to a report issued by the Department. All of these initiatives are raising the public's awareness of habitat problems and helping to co-ordinate efforts to alleviate them.

28.67 The Province has also recognized the importance of such initiatives and proposes to work with communities and build on the energy of existing volunteer programs to help get the job done. Non-government organizations have made important contributions by being involved in urban stream stewardship activities such as inventorying important wetland habitat in the Fraser Valley, tree planting, lobbying and surveillance activities.

The momentum established by SEP and the Green Plan needs to continue

28.68 Although success has been achieved, the public's appetite for

Public involvement in planning is essential.

The public's appetite for information and involvement has only been whetted.

information and involvement has only been whetted. If public education and involvement programs are to be used extensively by governments in habitat management, more information needs to be distributed and standards/guidelines developed to provide direction. Progress has been made to date but, with the end of the Fraser River Action Plan on 30 March 1997, a large gap has opened up. It would be both wasteful and counterproductive to abandon this process now when it has demonstrated such promising potential.

28.69 With the pressures to do more with less, such programs will assume even greater importance. If the goals of the Habitat Policy are to be achieved, the Department needs to look for ways to expand the direct intervention of the public in such activities as planning, compliance monitoring and habitat restoration, which would be subject to departmental audit.

Examples of Restoration Projects

(see paragraph 28.64)



1. Placement of large logs in stream to provide cover



2. Revegetation of stream bank



3. Stream rehabilitation (salmon enhancement project)



4. Eel grass planting on foreshore

Photos courtesy of Fisheries and Oceans

Aboriginal groups have a greater role to play in habitat management

28.70 The Aboriginal Fisheries Strategy (AFS) is making a contribution to habitat conservation and protection. Habitat projects are funded under terms and conditions of formal annual agreements negotiated by the Department with First Nations groups. For example, in 1995–96, 75 agreements were signed at a total cost of \$15.6 million. Of these agreements, 23 had habitat projects listed at a total cost of \$0.8 million. Final reports include an accounting of works and expenditures but there was no accounting of results achieved.

28.71 The AFS has potential as a delivery mechanism for future habitat protection programs. However, the habitat components of the strategy need to be more structured and focussed, and co-ordinated with other habitat activities in the watershed to maximize their contribution to habitat management. Under many agreements, Aboriginal fishery officers are integral to fisheries management activities but not specifically to habitat activities. Local area planning teams provide co-ordination for habitat restoration and protection activities. Standards and guidelines are needed if improvements in habitat surveillance and in the collecting and reporting of habitat data are to be made.

Government Involvement

Governments are becoming more proactive in habitat management

28.72 The Department and the B.C. Ministry of Environment, Lands and Parks currently are represented on several planning groups. These are all contributing to habitat planning at a regional level and, in some instances, such as the Burrard Inlet Environmental Action Program, are assisting in the referral process by serving in a screening capacity

and handling land use and mitigation requirements.

28.73 Other groups, such as that involved with the Fraser River Estuary Management Program, have no enforcement powers and depend on government to enforce any terms or conditions imposed by the project review (referral) process. With the exception of the Fraser Basin Council, which covers the Fraser watershed, each group is limited in its area of influence. Co-ordination of such groups is therefore an important responsibility of the senior governments.

Municipalities are supporting planning approaches but problems remain

28.74 Through official community plans and by-laws, municipalities have a direct impact on habitat management. Local governments have control over zoning and most land development. It is land development that has the primary impact on ecosystems in urban environments. Municipalities, through such provincial acts as the Municipal Act, Land Titles Act, Local Services Act and its Subdivision Regulation, Health Act and Growth Strategies Act, have the tools to protect the environment if they choose to do so. In addition, official community plans can protect local ecosystems through the use of density bonus zones, comprehensive development areas, and development permit areas.

28.75 Progress has been made at the municipal level, especially in land use planning. A number of municipalities have designated environmentally sensitive areas in their official community plans. The Department is involved in the review of those plans and regional plans. Identification and designation of environmentally sensitive areas is one of the most important tools for the protection of aquatic and riparian resources and their habitat.

28.76 The Department is a signatory to a few memoranda of understanding

Governments are involved in regional habitat planning.

Progress has been made at the municipal level.

Agreements lack provisions for monitoring and audit.

(MOUs) with municipalities, such as the Corporation of the District of North Vancouver. MOUs are currently under discussion with Coquitlam, Surrey and Langley. Those municipalities plan to support the work of Environmental Review Committees by clarifying roles, responsibilities and resources for environment protection.

28.77 These developments are encouraging, but there are still problems to be resolved. For example, a report commissioned by Fisheries and Oceans on the Comox–Strathcona Watershed Committee, established in 1995, noted a lack of willingness by the Department to move away from a reactive referral system process toward a more proactive land use planning approach that is able to use the information provided by the participants.

Municipalities have raised a number of concerns, such as a reluctance to incorporate fish habitat protection into their by-laws, because they do not feel technically competent, do not want federal responsibilities, and worry about additional expenses. Furthermore, they have requested more habitat information and standards from the senior governments. Less than half of municipal governments have established regulatory guidelines and measures that could be implemented. The review of audit files yielded only one example of a municipality, the District of North Vancouver, that has actually incorporated the Land Development Guidelines into its by-laws. As the Department has no authority to require municipalities to adopt guidelines, it must convince them of the benefits of doing so.

Accountability Is Needed

Accountability for delegated habitat management responsibilities is lacking

28.79 Some agreements are in place to co-ordinate departmental and provincial efforts to protect fish habitat. Such

arrangements are not subject to monitoring and audit by the Department even though it is ultimately responsible for habitat conservation and protection. Previous Reports of the Auditor General noted that there was a drop in compliance by project proponents when monitoring and enforcement of fish habitat provisions were carried out by the provinces.

28.80 Two recent reports, one on compliance with stream protection provisions under *The Forest Practices Code Act* and the other a preliminary report on compliance with urban development by-laws, indicate that problems still exist in the absence of adequate compliance monitoring by government.

28.81 The Department needs to audit monitoring activities in the provincial and municipal areas, or to negotiate agreements with the other levels of government to ensure that the requirements of the *Fisheries Act* are met and that the Department receives regular progress reports according to an agreed accountability framework. No such framework currently exists, although Fisheries and Oceans receives some information through the co-operative arrangements in place. An example of such a framework is given in Exhibit 28.5.

The 1985 General Fisheries Agreement has no provision for accountability

28.82 The General Fisheries Agreement was intended to foster co-operation. Included in its strategy section is a provision for the development of guidelines that would describe processes and procedures to be followed by both the provincial and federal governments in dealing with specific issues raised. However, there is no evidence that accountability was formally addressed under the Agreement. Furthermore, the memoranda of understanding that were developed under the Agreement make no reference to accountability.

Proposed changes to the *Fisheries Act* could deal with the accountability problem

28.83 The Department's Report to its Minister on the National Habitat Delegation Workshop held in November 1996 states that monitoring is one of the recognized criteria for delegation of habitat responsibilities. There was general agreement that the Department should take the lead role in determining and defining the objectives, methodology and timelines for monitoring and evaluation, including conducting audits. Clear and public reporting mechanisms were seen to be necessary to ensure accountability.

28.84 In the debate in Parliament over the introduction of amendments to the *Fisheries Act*, the Minister of Fisheries and Oceans said that those provinces that receive delegated responsibility for fish habitat will be required to show that they are meeting national habitat protection standards. This will be demonstrated by an appropriate accountability framework,

including reports to the federal government on the status of habitat and periodic federal audits of their performance. Such accountability would demonstrate the Department's leadership and control in habitat conservation and protection, in keeping with its national mandate.

28.85 Fisheries and Oceans should review the performance of existing co-operative arrangements in B.C. and build on those models that have produced positive results in habitat conservation.

28.86 Agreements setting up such co-operative arrangements should contain a statement of objectives, a clear definition of roles and responsibilities, expected results and requirements for program co-ordination, performance reporting and evaluation.

(See paragraph 28.93 for Department's response.)

Provinces will be required to show that they are meeting national habitat protection standards.

Exhibit 28.5

Framework for an Accountability Arrangement

Element	Description	Where Found Mission, Mandate and Objectives	
Clear expectations	The objectives being pursued, the accomplishments expected and the rules to be followed should be explicit, understood and agreed to.		
Clear roles and responsibilities	The roles and responsibilities of the parties in the accountability relationship should be well understood and agreed to.	Obligations of Contracting Parties	
Balanced expectations and capabilities	The performance expectations should be balanced by the commensurate capacities (authorities, skills and resources) of each party.	Legal Framework Authorities	
Credible reporting	Credible and timely information should be reported to demonstrate the performance achieved and what has been learned. Performance Measures Reporting Regime		
Reasonable review and adjustment	Enlightened and informed review and feedback on the performance achieved should be carried out by the accountable parties, where achievements and difficulties are recognized and necessary corrections made.	External Auditor's Report Review and Redress Mechanisms	

Canada-B.C. Relations

There is an opportunity to enhance Canada–B.C. relations

28.87 The Minister of Fisheries and Oceans is seeking to share responsibility, decision making and management of costs with fisheries groups through long-term partnership agreements. This follows the considerable interest expressed by stakeholders in direct involvement in fisheries management. The matter has assumed greater prominence due to the recent federal-provincial negotiations on salmon management in B.C.

28.88 The Canada-B.C. Agreement on the Management of Pacific Salmon Fishery Issues, signed in April 1997, provides for a stronger federal-provincial commitment to the protection of fish stocks and to habitat restoration and protection. Policy initiatives will be reviewed and co-ordinated through a Council of Fisheries Ministers. A Pacific Fisheries Resource Conservation Council will advise the Fisheries Ministers on the conservation and long-term sustainable use of salmon resources and habitat. It is also expected to report publicly on the status of the salmon resource and its habitat. As part of this Agreement, the Department is devoting new funds to stewardship initiatives under the Pacific Salmon Revitalization Strategy.

The Province has released its fisheries strategy

28.89 The first step in implementing the provisions for habitat protection under the new Canada–B.C. Agreement is for the two governments to develop joint objectives and a strategic framework embodied in working agreements to achieve those objectives. The Province released its discussion paper, The B.C. Fisheries Strategy, in May 1997. It names conservation as the first guiding principle and saving the fish as its first priority. It states that habitat must be protected and

restored in every salmon-bearing river and stream. The Department's current policy goal is to achieve a "net gain" of productive habitat through the guiding principle of "no net loss" applied on a project-by-project basis. The positions of the Province and the Department are similar and both support the maintenance of genetic diversity. However, the Department is not preventing habitat loss under the current referral system, and protecting fish habitat stream by stream may be equally difficult. If the main objectives of both governments can be reconciled, there would be the basis of a joint approach around which a strategic framework for the protection of the resource and its habitat could be built.

28.90 The new Agreement recognizes areas of current co-operative action between the two governments. For example, it seeks ways to improve the handling of referral workloads to avoid overlaps, and suggests administrative measures to streamline the process, such as cross-delegation of authority between governments, and collocating of staff within common administrative boundaries for watershed-based activities and processes. The Agreement also recognizes the need to bring decision making on salmon resources and habitat closer to clients and stakeholders. Major new policy initiatives will be developed in consultation with stakeholders, through a jointly agreed stakeholder group. The group will advise the Council of Fisheries Ministers on habitat restoration and enhancement matters through a Fisheries Renewal Advisory Board.

The Department needs to review its Habitat Policy

28.91 Fisheries and Oceans has not conducted a review of the effectiveness of its Habitat Policy to conserve and protect habitat since its introduction in 1986. It is our understanding that the Policy will be incorporated into the Department's Sustainable Development Strategy and Action Plan to be tabled in the House of

The Canada–B.C.
Agreement provides
for a stronger
commitment to habitat
protection.

Commons by December of this year. Thus the Policy's goals, objectives and strategic approach to habitat management will be open for public discussion.

28.92 There is an opportunity, therefore, for Fisheries and Oceans to lay out the elements of a strategic framework for the management of salmon fisheries and habitat management, much as the Province has done in its document, and to obtain the public's views on it. The response to the Department's proposals could then be used to formulate a departmental position for the upcoming negotiations with the Province.

28.93 Fisheries and Oceans should review the effectiveness of its Habitat Policy and habitat management program and develop a strategic approach to guide its negotiation of a new sub-agreement on habitat conservation and protection with British Columbia.

Department's response: Fisheries and Oceans is undertaking an internal review of the habitat management program in the Pacific Region to provide strategic direction for program delivery. This review is a component of the 1997 Canada—B.C. Agreement, which is expected to result in a co-ordinated and balanced habitat management program in B.C.

Conclusion

28.94 Pacific salmon stocks and habitat are under stress. While the *Fisheries Act* and Habitat Policy provide the necessary legislative base for the Department to manage Pacific salmon and their habitat for sustainability, results indicate that this is not being fully achieved. The development of its Sustainable Development Strategy and Action Plan could provide the opportunity for the Department to address problem areas raised by this audit.

The Department needs a strategic framework to guide it in future negotiations with the Province of British Columbia.



About the Audit

Objective

Our audit objective was to determine if the Pacific salmon resource was being managed to ensure its conservation and sustainability.

Criteria

We expected that the Department would:

- have adequate databases on fish habitat and stock assessment that would be accessible to and used by decision makers;
- have a science program to determine the fish production of major freshwater and marine habitats;
- be applying the *Fisheries Act* and regulations and specifically the Policy for the Management of Fish Habitat to achieve the stated goal of "net gain", first, by applying the guiding principle of "no net loss" and, second, by enhancing habitat where feasible;
- be using the Salmonid Enhancement Program and the Aboriginal Fisheries Strategy to support the sustainability of the resource base; and
- have entered into partnerships wherever and whenever possible to improve its efforts to protect fish habitat and enhance fish production in areas outside its jurisdiction, and to maximize benefits from resources at its disposal.

Approach

Our examination involved meetings or telephone conversations with departmental staff in headquarters in Ottawa, in the Pacific Region Office in Vancouver and in the district offices in Nanaimo (Vancouver Island) and New Westminster. We reviewed Fisheries and Oceans files and documentation as well as external reports relating to Pacific salmon from a number of sources.

Audit Team

Geoffrey Robins John Sokolowski Gregory Springate Deborah Irwin

For information, please contact John McCullough, the responsible auditor.

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